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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Discounters are going to the Housewares Show seeking, as Zayre dmm Ed Beevers said, "new products, new packaging, new colors, new sizes."

Chains Seek New Ways To Up Housewares Biz

Nationwide DSN Report

Discounters know the old housewares formulas won't be enough in 1986.

More than in recent years, their strategies at the 83rd NHMA International Exposition will focus on developing new looks and more aggressive merchandising postures, in the wake of modest single-digit department sales gains this year. *(See special Housewares Show section, pp. 25-80.)*

"This is the most important show in the past two years because retail business is softening," said Ed Beevers, divisional merchandise manager-housewares at Zayre. "Each buyer has committed to me to come back with a new look for their categories for next spring. We want new products, new packaging, new colors, new sizes. We want excitement in our housewares departments early in 1986."

Gemco housewares merchandise manager Tony Pooler is also reaching for change, "as we go away from a homogenized approach that's less promotable. We'll be more item-dominant and advertise more in 1986."

New growth strategies employed by discounters include more lifelike presentations, more advertising and deeper assortments of some of today's most promising growth categories: microwave, knockdown (KD) furniture, tabletop, under-the-cabinet electric appliances and health care.

They're the lifelines to department growth next year, said discounters, who've bought more cautiously for this Christmas season in order to sidestep a second consecutive inventory swell and markdown bath cycle.

Whether that caution sticks through the first quarter will be determined by the strength of holiday sales and post-Christmas inventory levels.

(Continued on page 25)

IN BRIEF

• **JEFFERSON WARD HAS CLOSED VIRTUALLY ALL OF** its remaining 25 stores, including its three Richmond units, leaving only a few open in Florida temporarily as clearance centers. K mart officials said they are still negotiating for purchase of some of the 25 units.

• **PACE AT PRESSTIME PLANNED TO OPEN ITS FIRST** three warehouse clubs in the Baltimore-Washington market on Nov. 1, as part of its goal of 16 clubs by year's end.

T.G. & Y.'s Turnaround Program Seen Unaffected by Buyout Bid

By AL HELLER

OKLAHOMA CITY — Profit-building programs at T.G. & Y. will continue unaffected, despite a $700 million-plus bid to take Household Merchandising Inc. (HMI) private in a leveraged buyout by year's end, said Roger Stangeland, the buyout group's top executive.

Stangeland is chief executive officer of Vons Supermarkets, the largest sales contributor to HMI, and is also ceo of HMI Acquisition Corp. (HMIAC), the group formed to acquire the business. The general retail segment of HMI, which is virtually all accounted for by T.G. & Y., contributed nearly 40% of sales and 36% of profits to the first-half performance of HMI, the $5.4 billion retail/wholesale division of conglomerate Household International.

The division includes 739 T.G. & Y. stores, 176 Vons supermarkets, 1,629 franchised Ben Franklin variety stores and 1,079 franchised Coast-to-Coast hardware stores.

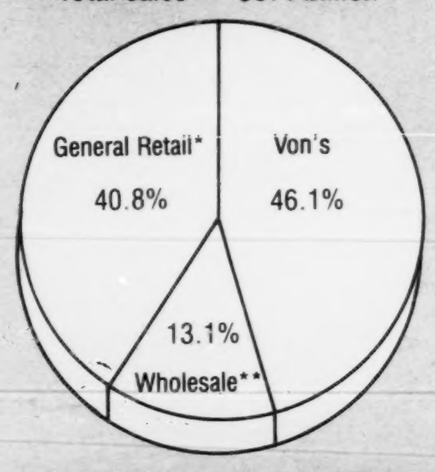
T.G. & Y., in its latest fiscal year, generated about $2 billion in sales, or close to 40% of the division's volume; Vons produced $2.5 billion, or 46% of volume.

"T.G. & Y. is the linchpin of the deal," said Richard Rusthoven, president of the discount chain. "T.G. & Y. has the most potential if it's fixed. It has the most assets among Household retailing companies, and presents the best moneymaking

(Continued on page 91)

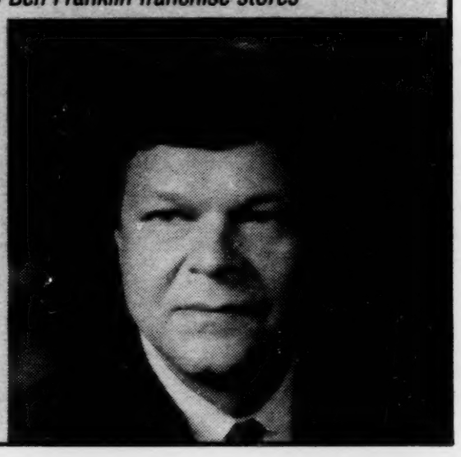
"We want to reduce the variations of the discount stores, so we can concentrate efforts on a single format."—Roger E. Stangeland, ceo, Vons Supermarkets and head of buyout group

Household Merchandising's Operations, 1984
Total sales = $5.4 billion



*—Almost all T.G. & Y.
**—Sales to Coast to Coast and Ben Franklin franchise stores

"T.G. & Y. has the most potential if it's fixed."—Richard Rusthoven, president, T.G. & Y.



5 Bows Set For '86

Best to Crash NY Metro Market

RICHMOND — Best Products will fire up the simmering competition among the top three catalogers next year by invading the metro New York market with its first five showrooms there.

Four of them will be spotted in the highly competitive suburban areas that already are home to stores of its two top rivals, Service Merchandise, with 13 units currently in the market, and Consumers Distributing (U.S.), with 60.

Besides the metro New York debut, Best will also open its first two showrooms in upstate New York, in the Greater Buffalo market. One of those Bests—for the first time—will have as a next-door neighbor the company's other main retailing endeavor, an Ashby's ladies' wear store. *(Story, p. 2.)*

The seven showrooms follow Best's new format that was used for nine units this year. While they are the only showrooms planned for 1986, the cataloger is "actively looking" at the Detroit market, with four stores seen as its initial effort there, a spokesman said. However, no Detroit stores are anticipated next year.

Best's move into the New York area means the three catalogers will now battle in the nation's two largest retail markets—the Big Apple and Los Angeles. It also rounds out the competition among the three, with Best and Service already squaring off in 16 states across the country and such major markets as Miami, San Francisco, St. Louis, Houston, Dallas-Fort Worth, San Antonio and Columbus, Ohio.

Best and CD compete in San Francisco, Philadelphia and Baltimore. (Service and CD, meanwhile, also battle in the Boston market.)

Best's metro New York plans include:

• A 64,000-sq.-ft. showroom in Garden City, Long Island, near

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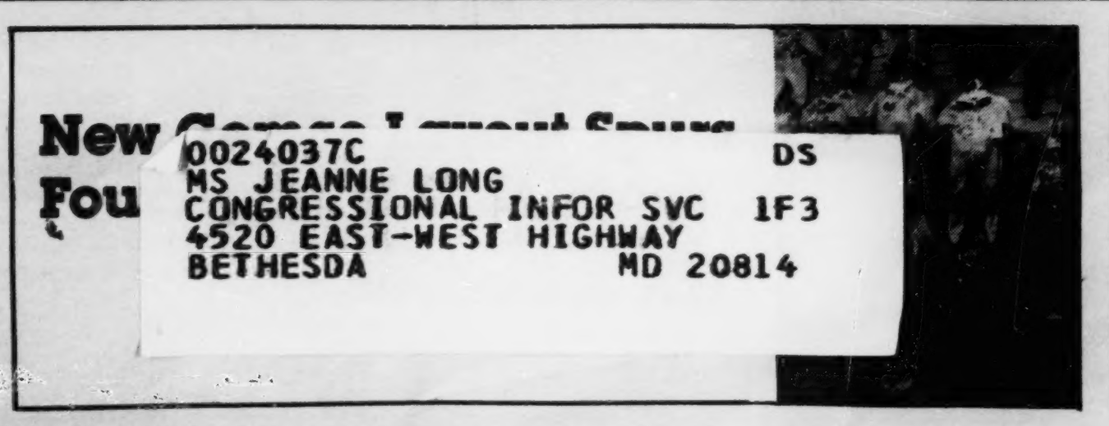

Catalog Coordinator Jewelcor Merchandising To Offer Its Unique 2.8¢-a-Flyer Program To Discounters. P. 14

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$12M-$15M in '86

Caldor Puts $5M-$6M Into First TV Campaign

NORWALK, Conn. — Caldor has committed between $5 million and $6 million to its first-ever television ad campaign—a series of 30 second spots to be shown through January 1986.

Next year Caldor plans to spend $12 million to $15 million, said Albert J. Buczko, vice president of advertising and sales promotion.

"We felt our newspaper circulars were only reaching 60% to 70% of our customers," said Buczko. He added that the TV spots are intended to support the circular campaign, which he said will be expanded.

Caldor has produced eight spots in the so-called "doughnut" format: a 15-second beginning and end, with a 15-second "hole" in the middle.

The commercials, which started running in the first week of October, begin and end with two actors playing "a typical Caldor couple," said Buczko, who do "cute, soft-sell skits" expressing their warm feelings for the store. The hole will be filled with plugs for one to three different products each week.

The advantage of this format, said Buczko, is "the flexibility; we can change products quickly, without having to shoot a whole new commercial."

Caldor at present has 106 stores in six northeastern states plus the Baltimore area. The commercials will run in all areas, except the Boston market which is being used as a control to test the campaign's effectiveness.

The first results of the campaign will be available by the end of this year, and they will be used to make a final decision on schedules for 1986. "We are committed to go ahead in 1986," said Buczko, "but we still have to decide how strong we will be."

Discounters Boost Turnover But Lose Markup Ground

NEW YORK — Discounters are turning their inventories much more rapidly than ever, but have also lowered their markups and suffered increased markdowns, according to a study by the National Mass Retailing Institute.

Of the 46 categories and subcategories included in the association's annual "Mass Retailers' Merchandising Report," conducted for the NMRI by Cornell University, exactly half showed increased gross margins in the responding retailers' most recent fiscal year. Twenty-two departments had lower gross margins, and one ran even with the previous year's results.

(Chart, p. 92.)

Thirty-one self-service discount department stores responded to the study. Those firms, in their most recent completed fiscal years, operated 3,475 stores and had aggregate sales of $25.1 billion.

In most of the operating standards studied in the report, apparel categories mirrored total store results. A notable exception, though, came in markdowns at retail, which ran higher than the previous year in 13 of 14 categories listed.

New Strategy

That would be due, at least in part, to discounters' move toward more fashion-oriented apparel, with the accompanying increased need to move slow-moving goods out as seasons change.

The overall inventory turnover rate jumped 24% to 4.33 turns annually, with the largest chains showing the way. Those chains with sales of over $750 million saw their turnover rates jump to 5.05 annually—a 30.8% increase over the previous year's results for those companies.

Categories that showed the highest increases in inventory turns included candy, up 2.74 turns; fabrics, notions and yarns, up 2.07; lawn & garden, up 1.66; and sporting goods, up 1.36. Infants' wear showed the largest increase in soft lines, up 1.18 turns.

While turns were generally increasing, though, cumulative markups on the goods, particularly in hard line categories, were showing the effects of competitive pressures. In 31 of 46 categories, initial markups decreased, with significant declines in three of the highest volume-producing categories. In housewares, markup declined 2.66 percentage points from the previous year, to 37.36%. Automotives showed a two-point drop to 31.31% and toys and games, which accounted for 6.43% of total store sales, saw markup drop 1.02 points to 32.83%. Similarly, markup in the hardware department was off 1.08 points, to 36.76%.

Adding It Up

While initial margins decreased, retailers in general didn't take as heavy markdowns as they had the previous year in most hard line categories. Markdown levels declined in hardware, toys, traffic appliances, consumer electronics, lawn and garden and automo-

(Continued on page 92)

NRMA to Standardize Stores' Ordering by Computer

NEW YORK — The National Retail Merchants Association (NRMA), whose membership includes many leading discounters, plans to publish guidelines and software this February establishing a single standard for direct computer-to-computer ordering systems for the retail industry.

This program is aimed at clearing the main obstacles on the road to more widespread use of computers for direct contact between retailers and suppliers.

At present only two of the leading discount chains, K mart and Wal-Mart, are using computers extensively for direct ordering. Both utilize their own, mutually incompatible systems.

The benefits most often mentioned for putting in a direct ordering system are speed and manpower savings.

Since computer orders reach suppliers instantly, a store can eliminate the time normally spent waiting for the mails to deliver an order. That gain of three days or more can make it possible to maintain lower inventories, and increase the number of turns in a year.

Suppliers call the conversion to computer ordering a win-win situation, even if they have to buy expensive programs, and spend months to set up systems that are different for each client. In the greeting card business, virtually all the major vendors have direct computer ordering programs, and, said Jim Schemmel at Hallmark Cards, "the main advantage is that the error rate is so small" because orders do not have to be retyped, eliminating also the need for expensive key punch operators.

Herbert Javer, financial vice president in charge of data communications at Gemini Industries, a New Jersey-based consumer electronic accessories manufacturer, mentioned another advantage for a supplier. "Having this system available helps to ingratiate you with the customer; it gives you an edge."

Representatives of discount stores stressed that they look at price first when making their buying decisions. But, said Javer, "If you are close on the price, they will probably give you the benefit of the doubt."

The first test using the NRMA system started in September and involves four apparel manufacturers and one department store (Macy's California).

"We are using the American National Standard Institute's so called X 12 system," explained J. Joseph Miller, the NMRA's director of retail standards and technology, who has been working on the issue since the organization set up a special committee in 1975. "X-12 is a standard that is as broad as you can get, and we have adapted it for use by retailers and suppliers."

Direct computer ordering can take several forms. K mart, for example, collects selling data daily from all its stores in its mainframe computer at the company's Troy, Mich., headquarters. The more than 500 suppliers who have signed up for the system and who have obtained K mart's electronic equivalent of an ordering form, call the computer at specified times to pick up their orders. Wal-Mart employs a similar system, but with different protocols.

The 73 suppliers and the 3,500 customer locations that are part of the Motor Equipment Manufacturers' Association's Transnet use a system in which retailers bundle all their orders and dump them into a central computer with one phone call. There every order is processed and placed into "mailboxes," to be picked up, electronically, by each supplier.

The NRMA standard will allow for the use of either system: a direct link between retailer and supplier or the central computer "post office." The advantage is that it will make communication possible because it will set one standard, avoiding the problems that arise when computers use different communication languages.

K mart's vice president for electronic merchandise systems, David M. Carlson, said the chain's system which began operating in 1980, works well, but he stressed that the compa-

(Continued on page 92)

Danners' Variety Division Is Sold to Two Ex-Execs

INDIANAPOLIS — Danners Inc. has sold its variety store division to two former executives: Jay S. Danner and Christopher K. Danner.

Terms were not disclosed.

Jay and Christopher Danner are both sons of the late Max S. Danner; a third son, Mark Danner, is president, chief operating officer and chairman of the board of the parent company.

Jay Danner had been Danners Inc.'s vice president of the specialty stores division; he will not be replaced. Christopher Danner was the vice president administration; his position was taken over by David C. Danner, a grandson of a brother of Forest W. Danner who founded the company in 1910.

Jay and Christopher Danner have formed a new company, Danner Brothers Co. Inc., to operate 14 Danners Variety stores—12 long-established variety stores and two of the company's former home-stationery-craft stores.

Danners Inc. had previously said it intended to sell its variety division to concentrate all its energy on its chain of 3D discount stores, which accounts for about 85% of corporate revenues. According to Christopher Danner, the restaurant (which was sold earlier), variety and home-stationery-craft divisions each accounted for roughly 5%.

Danners Inc. earned $238,000 on sales of $189,022,000 in 1984. The first six months of 1985 showed a loss of $139,000 on sales of $86,418,000.

Christopher Danner and his brother Jay were already running the variety division, whose stores are all in Indiana, while the parent company was looking for a buyer. Christopher Danner said there were several offers, "but we paid more."

"The variety division made money every year," he said. Christopher Danner said that he and his brother wanted to continue a 75-year-old family tradition of running variety stores with the Danner name. "We start with every retailer's dream: two Christmases in our first 15 months," he said.

PACE Tailors Housewares Mix

Housewares mix at PACE is tailored to local demands, as the chain adds more department store and gift shop brands, such as Mikasa Home Beautiful in Atlanta club. *(DSN photo)*

HOUSEWARES SHOW

GLASSWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Anchor 3600/672A Entertainer Set 40 pc	6,709	33.29	223,342.61
2	Libbey 82486T Bolero Tawny 24 pc	2,830	19.79	56,055.70
3	Libbey 82486D Bolero Blue 24 pc	2,780	19.79	55,016.20
4	Anchor PM486/T1 Divided Dish w/Cover	6,747	16.19	53,368.77
5	Anchor 3600 Cry Newport 24 pc	3,120	16.19	50,512.80
6	Libbey 8237D B1 Count Squire 24 pc	1,419	31.49	44,684.31
7	Anchor 1300/44 Moments 24 pc	1,636	26.99	44,155.64
8	Libbey 82430K Go Cntry Gdn 24 pc	1,265	25.19	31,865.35
9	Anchor 3600/817 Terrace Bev 24 pc	1,561	19.52	30,470.72
10	Libbey 82486K Bolero Gold 24 pc	1,086	24.29	26,378.94
11	Libbey 8183K Capri set gold 18pc	1,711	15.29	26,161.19
12	Anchor 4523 Wexford Butter/Cov	9,810	2.24	21,974.40
13	Anchor 4525 Wexford Salt & Pepper	9,024	2.15	19,401.60
14	Libbey 8476 Tulip Grande 9 oz	7,716	2.51	19,637.16
15	Libbey 2141T Monarch bev 4 pk	3,862	4.67	18,035.54

COOKWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Ekco 64110 bakers Cookie Sheet	17,678	4.40	77,783.20
2	Ekco 64330 Bakers Db Cake Pan	18,453	3.95	72,889.35
3	Normandy 312G Saucepot 12 qt bone	3,762	15.11	56,843.82
4	Ekco 64100 Bakers Cookie Sheet	13,966	3.95	55,165.70
5	Ekco 64260 bakers Roast/Bake	9,586	5.39	51,668.54
6	Foley 38279 Saute Pan 12"	4,715	10.79	50,874.85
7	Wear-Ever 26030 10" Saute Silverstone	5,621	8.99	50,532.79
8	Ekco 64200 Bakers 12-cup Muffin	10,605	4.76	50,479.80
9	Wear-Ever 26032 12" Chef Fry Pan	3,762	11.69	43,977.78
10	Wear-Ever 26028 Saute Pan 8" Silverstone	6,064	6.74	40,871.36
11	Foley 38079 Saute Pan 10"	4,792	8.09	38,767.28
12	Wear-Ever 26014 Sq Griddle 10" SilverStone	3,429	11.24	38,541.96
13	Litton A5030 7 pc starter set	1,340	26.99	36,166.60
14	Hillside HM60SP Spring Form Pan	4,781	7.46	35,666.26
15	Wear-Ever 46032 Chef Fry 12" Silverstone	2,393	14.84	35,512.12

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BATH

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Selfix 2253 Shower caddy lg	8,142	5.12	41,687.04
2	Magnolia M100 Molded Toilet Seat, wh	4,102	9.44	38,722.88
3	Selfix N443 Portable Shower Spray	3,546	10.34	36,665.64
4	Selfix C441 Shampoo Spray	13,101	2.24	29,346.24
5	Ekco 38110 18" Towel Bar	8,975	2.69	24,142.75
6	Selfix 2251 Shower Caddy	7,608	3.14	23,889.12
7	Ekco 38890 Toilet Tissue Holder	9,123	2.51	22,898.73
8	Selfix 2110 TwinHook	15,716	1.43	22,473.88
9	Ekco 38160 24" Twin Towel bar	4,610	4.76	21,943.60
10	Magnolia M3000A Padded Seat, wh	1,207	17.54	21,170.78
11	Ekco 38120 12" Towel Bar	7,780	2.42	18,827.60
12	Selfix 2298 Tissue Holder	8,222	2.15	17,677.30
13	Ekco 38170 24" Towel Bar	5,607	3.05	17,101.35
14	Selfix 2274 towel Bar 24"	6,963	2.24	15,597.12
15	Magnolia M3000A Padded Seat bl	836	17.54	14,663.44

TABLE TOP

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Corelle 16-23 16-pc set mb	5,837	32.84	191,687.08
2	Corelle 16-4 16-pc set gold	4,019	32.84	131,983.96
3	Corelle 16-5 16-pc set blue	3,952	32.84	129,783.68
4	Corelle 16-1 16 pc set grn	3,543	32.84	116,352.12
5	Corelle 16-24 16 pc set burg	3,529	32.84	115,892.36
6	Corelle 16-29 16 pc set Rbou	3,404	32.84	11,787.36
7	Corelle Express 2020-22 winrose	1,417	60.29	85,430.93
8	Corelle 16N pc set wh	1,804	32.84	59,243.36
9	Corelle 2025 2 20 pc Solitr	960	43.19	41,462.40
10	Corelle 2020-13 express 20 pc meadow	668	60.29	40,273.72
11	Corelle 3235-34 Dem 4 35 pc set slt	395	99.89	39,456.66
12	Corelle 20-95 2 20 pc coloni	833	43.19	35,977.27
13	Corelle 2020-12 Express 20 pc ind sum	549	60.29	33,099.21
14	Corelle 43-95 2 43 pc coloni	330	98.99	32,667.70
15	Corelle 106-4 Sm Plate go	2,209	11.15	24,630.35

CORNING

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	V300 Visions 6 pc S Pan set	2,956	46.79	138,311.24
2	V370 Vns Cooks Classic set	1,056	67.67	71,459.52
3	VI Visions 1 wt Cov Sauce Pan	3,885	14.84	57,653.40
4	F330 4 pc Fr White set	673	49.49	33,306.77
5	F260 French White 3 pc set	1,051	30.14	31,647.00
6	F2 Fr Wh 2.5 qt Ov Cov Cass	1,375	20.96	28,820.00
7	V5 Visions 5 qt Covered Saucepan	1,165	24.29	28,297.85
8	P104-8 Spice Pot	1,482	18.89	27,994.98
9	V20 Visions Cov Dbl Boiler	1,021	26.99	27,556.79
10	F21 Fr wh 4.5 qt Open Roast	770	27.26	20,990.20
11	A21 Corning Roaster	1,130	17.99	20,328.70
12	P 104 Teapot	1,140	17.09	19,482.60
13	P150 Grab-It	1,826	9.71	17,730.46
14	V2½ Visions 2½ qt Spa	811	21.59	17,509.49
15	P100 Menuette set 3 pc	739	22.49	16,620.11

PYREX

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	233 Utility Dish	12,297	6.74	82,881.78
2	234/4/Org Obl Bake Dish	7,068	8.90	62,905.20
3	506/Org Measure Cup	22,554	2.60	58,640.40
4	440-95 4 pc Bowl Set Colon	2,776	18.89	52,438.64
5	6230F Cov Cass & Bskt Fsld	4,771	10.52	50,190.92
6	463 D Custard Cup	13,301	3.77	50,144.77
7	2330 3 qt bake Dish & Basket	2,765	17.81	49,244.65
8	516/Org Measure Cup	15,143	3.14	47,549.02
9	2320F 2 qt Bake Dish & Basket	3,868	11.60	44,686.80
10	532/Org Measure Cup	9,423	4.67	44,005.41
11	440-61 4 pc Bowl set Forest	2,113	18.89	39.914.57
12	233M 3 qt Rect Baking Dish	4,782	7.46	35,673.72
13	213 Loaf Dish	10,001	3.50	35,003.50
14	232 Utility Dish	5,939	5.84	34,683.76
15	440-80 Bowl Set 4 pc Shend	1,816	18.89	34,304.24

Discounters To Satisfy Core Patro

By HAROLD RUBIN
President,
HalMar Distributors

The prevalent mindse housewares is back-to-bas That approach to building asso ments started earlier in 1985, when discounters had swelled inventories and apparently overshot in some trade-up efforts.

They don't want to suffer from excessive markdowns again, so discounters are being very careful to have something for everyone in their assortments. they had, say, a domestic c per cookware set last ye they've brought in a lowe priced import this time around

Discounters are being v careful not to abandon th core shoppers and opening price point business.

On top of that, discounters are facing this Christmas s son with cautious optimi They've generally set their gets for 5%-10% sales gains.

Chains have already assume a very heavy promotional pc ture for the fall. Buyers a working on tighter margi than ever in attempts to draw traffic. That's hurting gro margin dollars.

Buyers are acting defensi ly in another way too. Many counters who normally buy tain categories direct, such cookware and glassware, ar making big upfront comi ments for the November- cember selling period. Rat than buy direct and wareh the merchandise themselv discounters are using distri tors.

That way, discounters buy they need, assured they wo be out of stock, while avoid huge commitments to in tory. It's a defensive postur but one that makes sense to counters who aren't cer about the way Christmas sa will shape up this year.

More than in recent memo opportunity buys are drivi housewares business in 19 and discounters don't see a around such a stance now.

Discounters are bringing items for ads, particularly co ware and glassware, that are in their everyday mix. They f an urgent need to create sc noise on promotion, or they'l left at the starting gate.

Everyone's concerned a this Christmas season be five days short. Discounters r member that last year the go numbers came in the final week

Fortunately, discount aren't bearing the brunt of p motional pricing by the selves. Manufacturers are buying the business with ext sive trade specials on all lin including their most popular ferings.

Housewares giants such as Corning, Rubbermaid, Anchor Hocking and Ekco fostered this intense promotional environment with sharper pricing, specials and new items. Many major manufacturers are also

(Continued on page 61)

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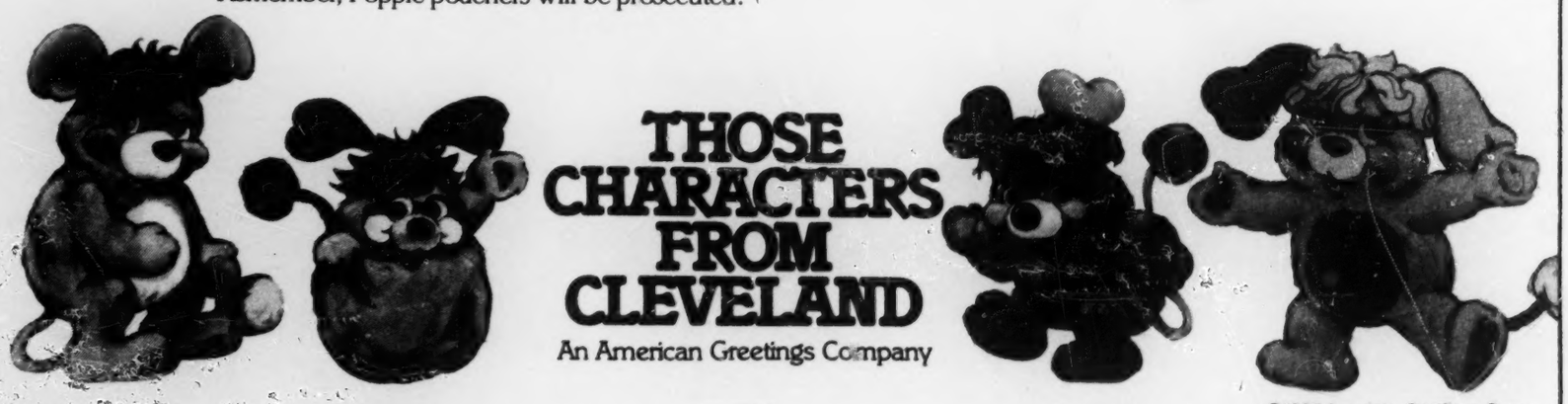

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Core Patron

(Continued from page 54)

advertising more to consumers and offering rebates, in attempts to stimulate demand for their brands and convince buyers of their total support.

Even from the consumers' point of view, pricing seems to be a major concern this year. There simply aren't enough customers at the upscale price points many discounters were testing earlier.

That has prompted discounters to stabilize their pricing structures at good-better-best before entering a premier price range. Shoppers faring well in this economy have been buying cars, video decks, televisions and microwaves instead of step-up housewares items. Lower interest rates have enabled consumers to make the big purchases they couldn't a year ago.

In 1985, and presumably into 1986, consumers will buy, say, a $49 cookware set, thinking it's serviceable enough, rather than a $99 set.

There's increased emphasis in the market on multiple-function cookware and servingware. The fastest-growing cookware segment is in microwave, with such growth tied directly to growth of microwave oven sales in many parts of the country.

Microwave cookware continues to be one of our leading growth categories, though the heaviest sales surge seems to be over. On top of that, the proliferation of accessories mandates that discounters limit themselves to three lines in a good and better approach to avoid confusing customers.

Anchor Hocking, Nordic and Corning still sweep our top 15 volume listings in the category, though the Rubbermaid Cookables and Heatables line may make some impact soon.

Rubbermaid has been extremely aggressive in expanding into other categories; witness its microwave offerings and its Servin' Savers food storage line. Now people are anticipating their newest color at the Housewares Show—slate blue—which will be on many kitchen plastics items.

We also see the closet shop as a real growth opportunity—with more ensemble, fashion-oriented merchandising at the helm. Discounters can generally take 30%-50% gross margins in the category, depending on the items, from patterned storage chests to scented hangers and see-through garment racks.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	GADGETS			
1	Swing A Way 407-21 Hand	14,703	5.03	73,956.09
2	Swing A Way 107 Jr Opener	25,672	2.60	66,747.20
3	Intermatic D111B Plut-In Timer	5,105	8.99	45,893.95
4	Range Kleen 102 Range Reflector 8"	14,681	3.05	44,777.05
5	Range Kleen 101 Range Reflector 6"	17,166	2.60	44,631.60
6	Intermatic D811B Cordless Timer	3,116	12.59	39,230.44
7	Hemlac 39RC Lint Refill	18,848	2.06	38,826.88
8	Rhodes 29031-UC Timer White	5,001	7.64	38,207.64
9	Ekco 00050 Stainless Peeler	22,659	1.61	36,480.99
10	Rhodes 29035-UC Timer Almond	4,670	7.64	35,678.80
11	Ekco 08840 4 Way Can Opener	18,749	1.61	30,185.89
12	Helmac 39C Lint Pic Up	15,448	1.88	20,042.24
13	Range Kleen 105A Reflec Pan-GE-Hot Pt-6	20,305	1.43	29,036.15
14	Range Kleen 106A Reflec Pan-GE Hot Pt-8	14,237	1.97	28046.89
15	Intermatic D7118 Supercop Plug-In Timer	2,556	10.79	27,579.24
	RUBBERMAID			
1	2965 Laundry Basket ch	16,999	5.93	100,804.07
2	2965 Laundry Basket almond	16,296	5.93	100,371.18
3	0450 Bath Mat white	19,795	3.86	76,408.70
4	0450 Bath Mat lt blue	19,582	3.86	71,726.52
5	2951 Dishpan almond	20,698	3.32	68,717.36
6	6032 Drainer almond	9,524	6.74	64,191.76
7	2864 Fliptop Bsket choc	6,904	8.54	58,960.16
8	2864 Fliptop Basket almond	6,788	8.54	57,969.52
9	6008 Drainer almond	9,223	6.21	57,274.83
10	7041 Bath Mat white	9,088	6.21	56,436.48
11	2951 Dish Pan choc	17,221	3.32	57,173.72
12	2850 Basket Lift Lid ch	6,520	8.54	55,680.80
13	2850 Basket Lift Lid alm	6,348	8.54	54,211.92
14	2845 Basket choc	10,703	4.85	51,909.55
15	1181 Drain Tray alm	11,110	4.49	49,883.90

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	MICROWARE			
1	Anchor PM400/126 Mwave Corn Popper	7,150	14.39	102,888.50
2	Anchor PM481/T1 Mwave Versatility	12,054	7.91	95,347.17
3	Anchor PM469/T1 Mwave Bacon Rack	11,582	7.91	91,613.62
4	Anchor PA600-112 Mwave Turntable	1,487	41.39	61,546.93
5	Nordic 62304 Micro-Go-Round	1,363	44.99	61,321.37
6	Corning MWA10 Cov Browning Skillet	2,206	25.19	55,569.14
7	Corning M-W-2 Microwave Grill	1,426	24.74	55,244.42
8	Anchor PM444/T1 Mwav Cookie Sheet	5,978	7.91	47,285.98
9	Corning MW116 Microwave 5 pc set	1,426	29.96	42,722.96
10	Corning MW-11 Micro Browning Grill	2,595	16.19	42,013.05
11	Anchor PM400/105 Mwav 9 pc Cook set	713	56.69	40,419.97
12	Anchor PM410/T1 Mwave roast rack	4,325	7.19	31,096.75
13	Anchor PM480T1 Mwave 4 qt Sim Cook	1,522	14.39	21,903.10
14	Corning MC6 Micro Divided Dish	1,382	14.39	19,886.98
15	Anchor PM459/T1 Mwav baking ring	2,485	7.91	19,656.35
	PLASTICS			
1	Eagle E2757 2 qt Juice Decaner clr	18,148	2.06	37,384.88
2	Sterlite 7400 Jumbo Storage Box	5,170	6.11	31,588.70
3	Tucker T334 Trash Can 22 gal	2,592	8.99	23,302.08
4	Schulte 1236W shelf 12x36	1,839	11.69	21,497.91
5	Schulte 418 4 Shelf Rack 18x33	1,435	14.84	21,295.40
6	Schulte 1248 Shelf 12x48	1,398	14.39	20,088.44
7	Eagle E2755 Juice Disp	15,720	1.25	19,650.00
8	Sterlite 1100 Sm Storage Box	10,623	1.79	19,015.17
9	Sterlite 4400 Lg Storage Box	3,981	4.49	17,874.69
10	Vanderbilt 751 Nylon Baster	13,812	1.25	17,265.00
11	Sterlite S2122 2 qt Refrigerator Bottle	8,368	1.97	16,484.96
12	Schulte 324 3 Shelf Rack 24x22	1,136	14.39	16,347.04
13	Foley 25368 Nylon Spatula Asst	17,946	0.89	15,971.94
14	Beacon L85 Paper Towel Holder	7,730	2.06	15,923.80
15	Schulte 312 3 Shelf Rack 12x22	1,596	9.44	15,066.24

Source: HalMar Distributors, Holyoke, Mass., for the Jan. 1-Aug. 31, 1985 period, covering more than 500 stores, including 400 discount department stores from New England to the Carolinas. Average retail prices reflect typical price points for discount chains.

$22B L&G Volume Is Seen by 1990

NEW YORK — Retail sales in the lawn and garden care market should hit the $22 billion mark by 1990, according to a research company based here.

That would be nearly double the estimated $11.9 billion in sales achieved in 1984, according to the study by Packaged Facts, the research firm.

The largest increases—19% annual gains—will come in professional lawn care services, predicts David Weiss, president of the firm. But, sales of tools and equipment should rise 8% annually and the lawn and garden supplies business should show annual increases of 7%, according to the study.

The company attributes the expected rises to demographic patterns.

Kenney introduces Full-service to Self-service

Kenney solves the problems of the self service display with full service. Whether you're a mass merchandiser with over 2,000 outlets or a retailer with 2,000 square feet, Kenney Window Fashions can give you the competitive edge with the most complete service program of product, display and support in the industry.

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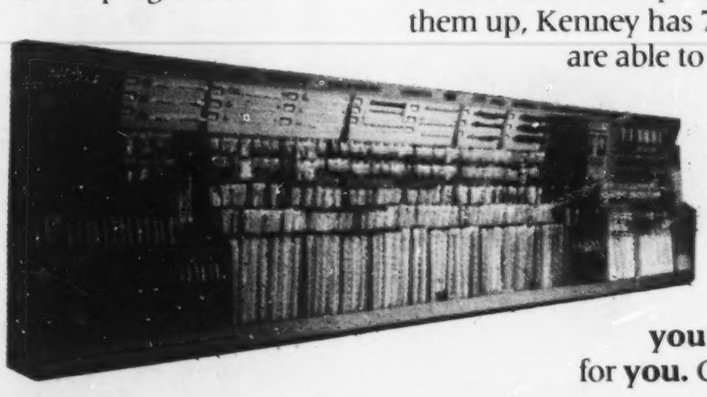
Each and every package is coordinated and attractively held within a handsome display that holds a full *30% more merchandise* in the same amount of floor space.

Our experienced nationwide sales force personally assures that your window treatment display is *well maintained* and most importantly, *well stocked.* And to back them up, Kenney has 7 regional distribution centers that are able to ship most any item out to your store within 48 hours.



Kenney's full service guarantees the best program of product, display and support in the industry. We believe it so strongly that **Dick Kenney,** *our president,* wants to talk with **you** directly about putting it to work for **you.** Call him today at **1-800-556-6531.**

Visit us at the National Home Center Show, Atlanta, March 17-20, at Booth W-1057.

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Phone (401) 739-2200

HOUSEWARES SHOW

CLOSET

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Itex 133 Tubular Plastic Hanger alm	46,544	0.17	8,252.48
2	Itex 133 Tubular Plastic Hanger brwn	44,640	0.17	7,588.80
3	Sterlite 11006 Shoe Box alm, Lid	4,156	1.79	7,439.24
4	Itex 133 Tubular Plastic Hanger wht	42,052	0.17	7,148.84
5	T-159-2 Bev Wood Trouser Hanger Set 2	5,147	1.34	6,896.98
6	Itex 133 Tubular Plastic Hanger rust	38,168	0.17	6,487.88
7	Itex 133 Tubular Plastic Hanger blue	37,152	0.17	6,315.84
8	S-159-2 Bev Wood Skirt Hanger Set 2	4,574	1.34	6,129.16
9	Tamor 5600/5A pk 5 Child Tubulars Asstd	4,876	1.25	6,095.00
10	5-4Bev Bev Wood Dress Hanger Set 4	4,122	1.34	5,523.48
11	Corr/Pak W3505 Underbed Chest Wood	3,335	1.61	5,369.35
12	1541-3C Bev Plastic Suit Hanger cl Set 3	2,797	1.88	5,258.36
13	C-30-2 Bev Wood Suit Hanger Set 2	3,166	1.61	5,097.26
14	W2110 Corr/Pak Storage Chest Wood	3,143	1.61	5,097.26
15	HWH-06 Bev Wire Drip/Dry Hanger St 6	5,616	0.71	3,987.36

CORNING

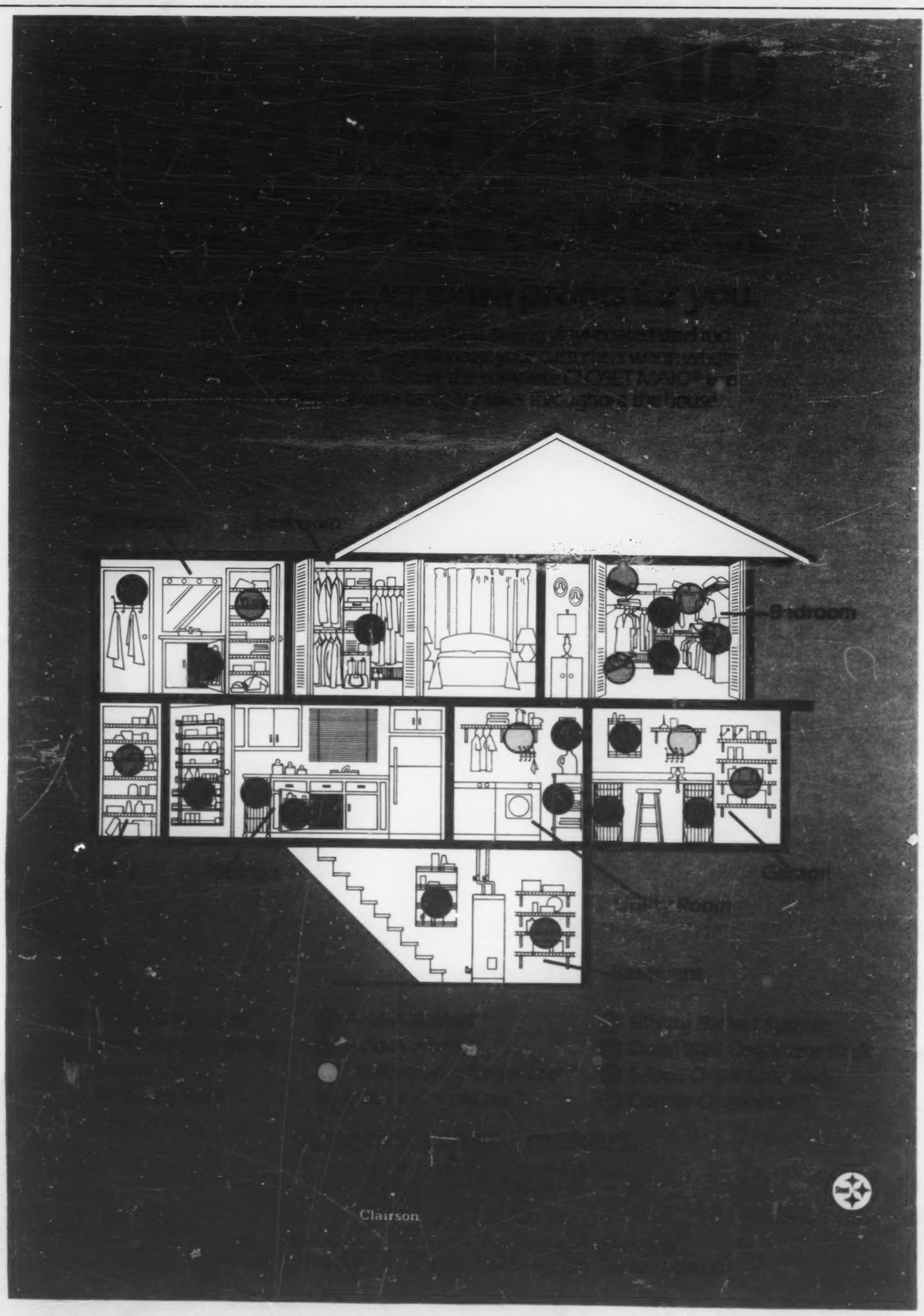
$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Visions V-300 6-pc Set 1-1.5-2.5 qt	170	53.99	9,178.30
2	Visions V370 7-pc Rangetop Set	102	71.99	7,342.98
3	Visions V-6 8" Skillet	698	10.34	7,217.32
4	Visions V-9 9" Skillet	423	13.94	5,896.62
5	Cnter Savr C-20-61 16"x20" Mahrm	255	22.94	5,849.70
6	Visions V-20 1.5-qt Dbl Boiler w/Cover	191	28.79	5,498.89
7	F-2 2½-qt Ovl Casa/Lid white	237	22.49	5,330.13
8	Visions V-1.5-qt Cvd Saucepan	265	17.99	4,767.35
9	F-330 Set F-1, F-3, F-5 White	97	47.69	4,625.93
10	Roaster F-21 F/W 4½ qt	159	28.79	4,577.61
11	Visions V-1 1-qt Cvd Saucepan	285	15.74	4,485.90
12	French White F-14 4-qt Cov Oval Cass	141	30.14	4,249.74
13	Visions 2.5-qt Covered saucepan	185	22.94	4,243.90
14	F-1 2½-qt Rd Cass/Lid	188	22.49	4,228.12
15	Starter Set A-300-8 Spice	92	44.09	4,056.28

COOKWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	G/H 0707 "granite" Canner w/Rack 21 qt	1,992	19.34	38,525.28
2	W/E 28030 Pref Slv 10" Chef Fry Pan	1,707	13.49	23,013.94
3	W/E 28032 Pref Slv 12" Chef Fry Pan	899	16.19	14,554.81
4	Foley 780-79 Silverstone 10" Saute Fry Pan	1,764	8.09	14,270.76
5	Ekco 64110 B/S Lrg Cookie Sheet 17x11	2,939	4.40	12,931.60
6	T-Fal 37051 7" Fry Pan Rouge	2,107	5.84	12,304.88
7	Ekco 64330 B/S Oblong Until Pan 13x9	3,082	3.95	12,173.90
8	W/E 28028 Pref Slv 8" Chef Fry Pan	1,038	11.69	12,134.22
9	Foley 2209-20 Percolator 9 cup	1,512	7.11	10,750.32
10	Ekco 64200 B/S 12 Cup Muffin Pan	2,184	4.76	10,395.84
11	Foley 778-79 Silverstone 8" Saute Pan Blk	1,651	6.29	10,384.79
12	T-Fal 7126 Royale 10" Fry Pan Blk	712	14.39	10,245.68
13	Lodge 7SK2 C/Iron Skillet 10"	1,344	7.19	9,663.36
14	Nordic 51190 12C Formed Bundt Aset	1,032	8.99	9,277.68
15	Ekco 64100 B/S Med Cookie Sht 15x10	2,338	3.95	9,235.10

DINNERWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Crnstn T-20-82 20-pc Set China Blossom	92	71.99	6,623.08
2	Livngwr 16-24-N 16-pc Set burgundy	188	34.19	6,427.72
3	Livngwr 16-23-N 16-pc Set Mrng Blo	164	34.19	5,607.16
4	Natrl Imgs 5016-66 16-pc Set Sandscape	124	44.09	5,467.16
5	Livngwr 16-N 16-pc Set white	144	34.19	4,923.36
6	Natrl Imgs 5016-73 16-pc Set Calco Rse	106	44.09	4,673.54
7	Livngwr 418 18-oz Bwl (4) white	318	13.94	4,432.92
8	Dmnsn-4 3216-32 16-pc Set cinnamon	90	44.99	4,049.10
9	Crnrstn T-20-92 20-pc Set Spring Pond	56	71.99	4,031.44
10	Natrl Imgs 5016-74 16-pc Set windflower	90	44.09	3,968.10
11	Dmnsn-4 3216-34 16-pc Set-slate	66	44.99	2,969.34
12	Natrl Imgs 5016-75 16-pc Set Blue flrl	54	44.09	2,380.86
13	Lvwr2 20-25 20-pc Set Solitary	50	44.99	2,249.50
14	Lvwr2 20-25 20-pc Set Royal Garden	28	71.99	2,015.72
15	Exprsn 2020-22 20-pc Set Wet Desert Blossom	28	62.99	1,763.72



8%-9% Biz Gains Seen On Coast

By JERRY FALK
Executive Vice President
Bacar Inc.

The West Coast markets are no more optimistic than discounters elsewhere about housewares sales gains this year. Upturns have been steady, but for the full year we're eying only 8%-9% total gains.

PMA PRODUCT MOVEMENT AUDIT

That's not bad, considering where the market came from early in the year, when discounters were swelled with inventories following the disappointing Christmas season.

That seems to be in the backroads of buyers' memories now. They're not overly cautious about buying into the holiday season. In fact, ads are set up for throughout the fall, and no one seems to be holding back. Advance booking against fall advertising is stronger than last year. On top of that, we expect to see more flyers this year, and they'll include more housewares items.

Such activity presages a good holiday season in terms of sales. Profits will be there, too, for discounters, because their ads reflect the additional trade specials being offered by major housewares vendors. Extra flyers won't cause discounter margins to suffer; they're able to buy more cheaply.

Even more so than last year, when vendors began to regularly discount their most popular lines, manufacturers are buying the business this season.

The intensification of trade discounts is led by Rubbermaid and Corning, and is evident throughout cookware, 18- and 24-piece glassware sets and servingware pieces such as punch sets and candy dishes.

Vacuumware, which caught fire earlier this year, has shown no signs of cooling and will be a key promotional item this season. Thermal carafes from Corning and ThermosWare, and steel bottles from Aladdin, have been in demand ever since manufacturers brought their designs out of the Middle Ages. The Coffee Butler and Thermique carafes are meeting a home tabletop need, and are being used in business offices too because they're clean looking, not frilly.

Our other leading growth categories are bath and closet accessories and gadgets.

- The reason is that we're experiencing in our markets a great deal of home remodeling activity. People are managing in smaller living quarters by buying the likes of underbed storage chests, sweater boxes and containers. Corr-Pak has added visual interest to the category, with its tulip and grid designs on storage chests, although this is generally not a fashion area.

On the other hand, the kitchens has become more of a fashion arena than ever before. Consumers are taking pride in coordinating electric appliances

(Continued on page 74)

HOUSEWARES SHOW

GADGETS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	PA4-100 Mlt Cone Filtr No. 4 (6 cup) 100 ct	8,700	3.41	29,667.00
2	107, Saw Can Open "Jr" Sml Hand Asst	7,968	2.78	22,151.04
3	8153-2, Sunbeam Timer Short Ring alm	2,385	8.99	21,441.15
4	102-AC, R/K Refl Bowl 8" Plug-In Element	6,792	3.05	20,715.60
5	8153-1 Sunbeam Timer Short Ring white	2,128	8.99	19,130.72
6	101-AC R/K Refl Bowl 6" Plug-In Element	7,344	2.60	19,094.40
7	PA6-100 Mlt Cone Filter No. 6 (10 cup) 100 ct	5,256	3.59	18,869.04
8	407-A Saw Can Open "5 Yr" Hand almond	3,385	5.39	18,245.15
9	710 Grayline Jumbo Helper Shelf (Stand)	3,924	4.22	16,559.28
10	407-C Saw Can Open "5 Yr" Hand choc	2,968	5.39	16,105.32
11	PA4-40 Mlt Cone Filter No. 4 (10 Cup) 40 ct	8,868	1.52	13,479.36
12	1800 E-Z Foil 12-pk Elec Burner Blbs	5,551	2.42	13,433.42
13	2950 Gemco Glass Replc Decant 10 Cup	2,648	4.76	12,604.48
14	SCM10/6 Mlt CoffeeMaker System 10 Cup	1,311	8.99	11,785.89
15	105-AC R/K Refl Pan 6" GE&H/P Hng Elmnt	8,167	1.43	11,678.81

MICROWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Nordic 62304 Micro-Go-Round	183	50.39	9,221.37
2	Corning M-155 Bowl 15-oz Gls-Pls Cvr	869	8.72	7,125.80
3	A/M PM469T1 Micro Bacon Rack 12"x10"	1,002	7.01	7,024.02
4	Corning M-140 Side Dish 6¾" (2)	833	8.09	6,738.97
5	A/H PM497W1 Micro Cooking Shelf	522	12.86	6,712.92
6	Corning M-245 Bowl 24-oz With Glass Cover	740	8.99	6,652.60
7	Corning M-145 Ovl Csss w/Gls-Pls Cvr	699	8.72	6,095.28
8	Corning MR-1 Ceramic Rack	646	8.99	5,807.54
9	A/H M400126 Micro Popper/Steamer/Roastr	446	12.86	5,735.56
10	Nordic 62303 Micro-Go-Round Plus	109	50.39	5,492.51
11	Corning MW-2 Micro Browning Grill	195	26.99	5,263.05
12	Microette 486 Plate Cover Clear	792	6.02	4,767.84
13	Corning MW-A10 10" Cov Brwning Skillet	168	26.99	4,534.32
14	Corning P150BPS Grab-It (1)	696	6.06	4,231.68
15	Nordic 63204 Micro Bacon/Meat Rack	439	8.09	3,551.51

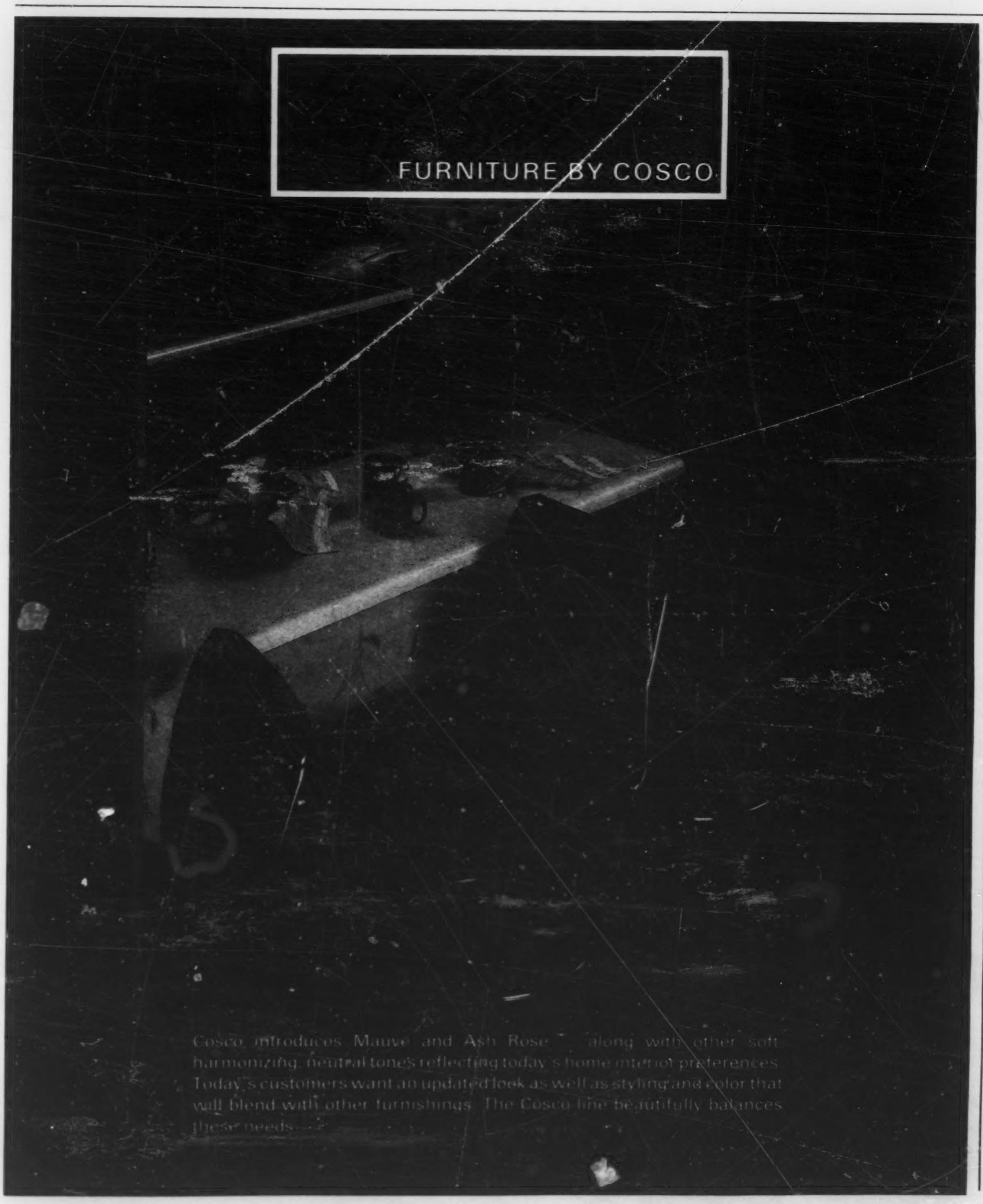
PLASTICS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Loma 364 32-Gal Garbage can	1,732	10.79	18,688.28
2	E/I 1048 Spray Bottle/Plain-Pint	8,922	1.43	12,758.46
3	Superseal 2757 2-qt Decanter Clear	6,025	2.06	12,411.50
4	Frzette 158 Uprite set (3) 1 qt	4,186	2.96	12,390.56
5	Aurora A-175/6 Plas Cutting Board 9"x15"	1,458	7.46	10,876.68
6	Frzette 155 Uprite set (4) 1.5 pt	3,540	2.96	10,478.40
7	E/I 1024 Spray Bottle/Plain qt	5,440	1.79	9,737.60
8	Frzette 154 Uprite Set (5) 1 pt	3,066	2.96	9,075.36
9	Alladin 771 Covd rnd Contnr 5.5 gal	1,451	5.66	8,212.66
10	Arrow 109 Rainbow Tumblers 16 oz	11,565	0.71	8,211.15
11	Aurora A-174/6 Plas Cutting Board 8"x12"	1,500	5.39	8,085.00
12	Aurora A-185/6 Plas Pastry Board 15"x20"	456	15.92	7,259.52
13	Dial P-245 Jumbo Odd/End Baskt 12x9x3	4,212	1.70	7,160.40
14	Frzette 152 Uprite set (2) ½ Gal	2,418	2.96	7,157.28
15	Superseal 2755 1-qt Decanter Clear	5,228	1.34	7,005.52

RUBBERMAID

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	2894-C R/Neck Rnd can 32-Gal choc	2,613	22.49	58,766.37
2	2965-A Rect Laundry Basket almond	4,176	6.20	25,891.20
3	2915 Drawer Organizer 9x3 almond	22,704	1.07	24,293.28
4	2936 Single Turntable almond	7,794	2.96	23,070.24
5	1181-A Drain Tray 15x20 almond	4,722	4.85	2,901.70
6	2937 Twin Turntable almond	4,440	5.03	22,333.20
7	0450-W Bathmat 14x22 (Wrap) white	6,108	3.59	21,927.72
8	2965-C Rect Laundry Baskt choc	3,252	6.20	20,162.40
9	2918 Drawer Organizer 16x6 almond	10,702	1.88	20,119.76
10	6032-A Dtx Dish Drain Wire almond	2,826	7.10	20,064.60
11	2845-C Sml Rect w/Basket choc	3,774	5.12	19,322.88
12	2858-A R/Neck step-On 3-qt almond	1,333	14.39	19,181.87
13	2916 Drawer Organizer 9x6 almond	13,559	1.34	18,169.06
14	2965-T Rect Luandry Baskt T/Cottz	2,700	6.20	16,740.00
15	2846-C Lrg Rect W/Basket choc	2,646	6.29	16,643.34

Source: Bacar, distributor, San Jose, Calif., for the June 1-Aug. 31, 1985 period, covering 658 stores, including 480 mass merchandisers. Average retail prices reflect typical price points for mass merchandisers.


FURNITURE BY COSCO
Cosco introduces Mauve and Ash Rose™ along with other soft harmonizing neutral tones reflecting today's home interior preferences. Today's customers want an updated look as well as styling and color that will blend with other furnishings. The Cosco line beautifully balances these needs.

Coast Gain

(Continued from page 72)

with other colors in the room.

Cookware, in particular, has taken a forward fashion stance. Discounters constantly experiment with the additions of patterned porcelain enamel-on-steel and solid color fry pans. Indeed, our sixth leading cookware item is a rouge 7-in. fry pan from T-Fal. Our No. 12 item is a black 10-in. fry pan.

The color black has been advanced by manufacturers as part of the fashion palate, particularly in bakeware, in an attempt to stimulate replacement sales.

We see discounters still stressing sales of cookware sets over open stock, though some have adopted the strategy of selling open stock pieces of upgraded sets they want shoppers to begin acquiring. By merchandising this way, retailers garner better gross margins and eliminate the barricade to sales of a high price tag for a complete set.

Overall, we've seen modest upscaling of housewares continue in our markets, despite some economic problems in California brought about by slackness in the computer industry.

Layoffs haven't affected retail sales here because we're not totally dependent on one industry.

We are seeing discounters affected by the growth of membership warehouse chains. I think their low everyday pricing could be a prime reason behind all the extra discounter ads we'll see this fall. Catalogers are feeling the onslaught of wholesale clubs even more because they, like the warehouses, require customers to service themselves. They're also less flexible in pricing than conventional discounters, and can't respond as well to the threat.

Industrywide, housewares manufacturers have built up inventories to meet demand for their trade specials and Christmas merchandise. Low interest rates and a strong dollar have contributed to that position.

One seasonal item we'll try is Corning tableware in holiday patterns, which should retail at $19.99 per 16-piece set and $5.99 a platter. We wouldn't have touched it with a 30-ft. pole because we've never bought decorative Christmas goods.

But Corning has offered this as a guaranteed sale—the first time they've ever done this with any item, so we're supporting it. However, there's no hint that Corning will offer guaranteed sales on anything else.

Visions see-through stovetop cookware, which is also microwavable, continues to dominate Corning offerings. The line holds eight of the top 15 sales spots.

Corning also reintroduced its Counter Saver glass cutting board this year, and it's catching on.

French White also continues strong, thanks to its clean gourmet appearance. Older, established Corning patterns are purely replacement business.

Rubbermaid is aggressively trying to blanket the market with plastics in all categories. Its positive impact on food storage earlier this year was strong. Its existing product lines continue to be steady.

As far as the slate blue offerings to be shown at the Housewares Show, we'll have to see it on merchandise before we can evaluate how it would be accepted by consumers. So far, chocolate and almond colors dominate.

HOUSEWARES SHOW

GADGETS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Swingaway 407/1 Port Open Asst	2,983	4.43	13,214.69
2	Foly 101 Food Mill 2 at.	990	9.63	9,533.70
3	Ahew 1574 4-pk Paring Knife	6,170	1.41	8,699.70
4	Brom 119 4-Sided Grater	5,531	1.40	7,743.40
5	Trav 6666 Sunbeams	6,301	1.17	7,372.17
6	Ekco 30761 Sm Turner Nylon	4,134	1.53	6,325.02
7	Geas 341X Ash Tray 7"	4,447	1.35	6,003.45
8	Ekco 30431 Jumbo Turner Nylon	3,965	1.47	5,828.55
9	Ahew 1554 Steak Knives	3,050	1.86	5,673.00
10	Arrow 13 Measure Cup Set	4,723	1.20	5,667.60
11	Ekco 06852 Can Opener	5,494	1.01	5,548.94
12	Rhod 29006 Marktime Timer	867	6.38	5,531.46
13	Ekco 30401 Pan Turner Nylon	3,605	1.53	5,515.65
14	Ekco 30081 Basting Spoon	4,573	1.17	5,350.41
15	Wall 601 Wood Mix Spoons	7,380	0.72	5,313.60

TABLE TOP

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Corelle 16-23 16-pc set, med bl	3,263	23.19	75,668.97
2	Corning 5016-73 Calco Rse 16	2,223	29.48	65,534.04
3	Corelle 16-24 16-pc set, burg	2,480	23.19	57,511.20
4	Corelle 16-4 set, gld	2,370	23.19	54,960.30
5	Corelle 16-29 16-pc set, bouq	1,924	23.19	44,617.56
6	Corning 5016-74 Windflower 16	1,412	29.48	41,625.76
7	Corelle 16-1 set, grn	1,668	23.19	38,680.92
8	Corelle 16-N set wht	1,405	23.19	32,581.95
9	Corelle 16-5 set, blu	1,041	23.19	24,140.79
10	Corelle 35-23 35-pc set lt blue	212	55.95	11,861.40
11	Corelle 35-4 35-pc set, gld	184	55.95	10,294.80
12	Corelle 35-1 35-pc set, gr	155	55.95	8,672.25
13	Corelle 106-23 Md Plate, med bl	402	9.19	3,694.38
14	Corelle 106-4 Md Plate, gld	391	9.19	3,593.29
15	Corning 106-4 Sm Plate, gld	414	8.61	3,564.54

CORNING

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	V-300 Saucepan, 6 pc	1,095	34.84	38,149.80
2	V-1 Covered Saucepan, 1 qt	1,186	11.48	13,615.28
3	A338 Trio set spice	648	20.16	13,063.68
4	A33 Trio set cornflower	545	20.16	10,987.20
5	V-2.5 Cov Pan, 2.5 qt	594	16.74	9,943.56
6	V-20 1.5 qt Double Boiler	441	20.88	9,208.08
7	8030-4 Thermique, blu	581	14.92	8,668.52
8	8030-1 Thermique, br	558	14.92	8,325.36
9	8030-3 Thermique, red	499	14.92	7,445.08
10	8030-2 Thermique, san	472	14.92	7,042.24
11	V-6-H Visn Skillet 7	793	7.92	6,280.56
12	A-1 ½ Cover Ds, cornflower	592	10.44	6,180.48
13	V-7 Saucepan 1.5 qt	599	8.95	5,361.05
14	V-5 Covered Saucepan, 5 qt	275	19.10	5,252.50
15	A-3 Covered Saucepan	336	14.82	4,979.52

GLASSWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Anchor 3600/810 Bev set, 24	3,518	10.29	36,200.22
2	Anchor 2100/103 Tempo clr, 18	3,698	6.93	25,627.14
3	Anchor 1500/7 Crown Punch, 18	971	14.64	14,215.44
4	Durand 8050130 24-pc Lancer	846	14.91	12,613.86
5	Libbey 82443 Impromp, clr, 24	950	10.61	10,079.50
6	Durand 0655001 Romantiq, 16	252	26.94	6,788.88
7	Durand 0655000 Provincl, 16	220	26.94	5,926.80
8	Durand 3053188 Harmny, 18	268	9.52	2,551.36
9	Anchor 300/279A Arlington, 18	188	11.94	2,244.72
10	Durand 8058236 18-pc Lanc	160	13.65	2.184.00
11	Anchor BB 3100/324 Plaz, blu	150	11.55	1,732.50
12	Anchor H400/926 13-pc Bak	96	17.91	1,719.36
13	Libbey 81842 Eleganc clr, 18	128	8.72	1,116.16
14	Anchor YC3100/325 Plaz, plm	96	11.55	1,108.80
15	Libbey 82443M Impromp, bl, 24	92	10.61	976.12

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ORTHO WORKS WONDERS

Markdown Bath Won't Occur Again

By ARNOLD REINHARD
VP-Sales and Marketing, Schreiber Company

PMA PRODUCT MOVEMENT AUDIT

As we approach this Christmas season, I believe we'll see no repeat of last year's inventory build-up and markdown bath in housewares.

Merchandise managers are keeping a tight rein on inventory, though they're extremely willing to try new products and programs. Discounters express a dire need for more new products on the market, but that's a perennial complaint.

Discounters aren't buying lighter than last year, but closer in. They're limiting their risk by not forecasting as far out as a year ago. Many discounters in our markets are forecasting three months ahead of time, not six months, as had been standard practice for a while.

Indeed, we're getting orders from major discounters just two-to-three weeks ahead of shipping schedule. This isn't happening just at smaller chains of less than 10 stores; operators of say, 100 stores, are doing it now too.

Such close monitoring by discounters reflects their cautious attitude about sales prospects over the next few months. Like buyers elsewhere, people in our markets are looking at 8%-9% annual sales gains.

Nobody feels upbeat over the final quarter because we lose five critical sale days between Thanksgiving and Christmas. We expect to see intense promotions throughout the entire gift-giving season to drive sales.

Indeed, such flyer activity has begun earlier than I can recall in years. By the first week in October, I'd already seen the first Christmas layaway circular.

I also see discounters turning more and more to housewares to buttress their hard goods volume, because their hardware business is very soft now.

Yet, even though they're leaning more heavily on housewares to achieve sales growth, they're buying according to less ambitious plans than a year ago.

Manufacturers also feel the need to be extra-promotional to stimulate retail activity and succeed in their own market share battles. There seems to be no bottom to pricing in categories like cookware and dinnerware. At least glassware has stabilized for now, coming off a two-year stretch in which prices skidded more than 10% annually because of keen competition among domestic and foreign suppliers.

Libbey and Anchor Hocking remain highly promotional, to stem the pricing impact of Crisa and Durand. The jury is still out on the single-pack merchandising system, unveiled by Anchor Hocking at the latest Housewares Show. Buyers appear positive about how it can help bulk glassware sales, but initial

(Continued on page 80)

HOUSEWARES SHOW

Markdowns

(Continued from page 78)

shipments have been delayed until January.

Some buyers told me they'll stay with the 4-packs for easier and higher-ticket unit sales. They don't think brand loyalty will necessarily follow from the use of cardboard sleeves for single glasses.

In our general view, we've seen few significant price increases by manufacturers all year. In fact, lower prices in cookware and dinnerware have discounters eying these categories for selected expansion of sku's.

Other merchandise categories discounters are targeting for expansion include higher-ticket, higher-margin microwave cookware and accessories, food storage, closet storage items and vacuumware.

Microwave cookware, for example, will continue to be a growth leader in our markets—about 15% for 1985 overall—as ovens achieve additional household penetration. We expect compact ovens, under 1 cubic foot of capacity, to be the key growth segment because most people are still using microwaves to reheat foods.

Anchor Hocking dominates the top 15 category rankings, while Corning, Nordic and Litton also do well in many markets. The Rubbermaid Cookables and Heatables line may make a greater impact in 1986.

Meantime, special function accessories such as bacon racks, divided dishes and popcorn poppers are among growth leaders.

We expect the popularity of compact microwaves to spur assortment shifts at discounters toward single serve dishes and other small accessories.

Food storage and small plastics are benefiting from their frequent adjacencies with microwave cookware, as well as the presence of Rubbermaid. The brand has given food storage greater acceptability, and prompted competitive responses from Eagle, Republic and other vendors.

In gadgets, we've seen development of more continuity package programs in which card colors indicate price range. While we saw that as a positive trend earlier in the year, there is some discounter backlash developing.

Some buyers think an uncoordinated look creates visual tension and excitement, and gives the impression of greater variety.

For the most part, discounters are dropping low-end gadgets, priced at less than $1, leaving that business to grocery chains.

PYREX

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	6230-F Casserol/Bskt	1,614	8.13	13,121.82
2	300-61 Bowl set frst	905	10.68	9,665.40
3	2320-F 2 qt Dish/Basket	1,042	9.10	9,482.20
4	300-95 3-pc Bowl cl	878	10.68	9,377.04
5	2220-F Sq Cake/Basket	1,015	8.13	8,251.95
6	233 Utility Dish, 3 qt	1,331	5.21	6,934.51
7	232 Utility Dish, 2 qt	1,522	4.48	6,818.56
8	300-80 Shen Bowl set	634	10.68	6,771.12
9	508 8 oz Measure Cup	2,702	1.98	5,349.96
10	222 Square Cake	1,416	3.66	5,182.56
11	464-D 10 oz Deep Dish	1,188	3.89	4,621.32
12	209 Pie Plate 9"	2,044	2.24	4,578.56
13	2330 bake Dish/Basket	336	13.58	4,562.88
14	234 4 qt Baking Dish	608	6.75	4,104.00
15	463-D 6 oz Custard	1,380	2.84	3,919.20

MICROWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Anchor PM400/155 5-pc Pet	2,924	19.45	56,871.80
2	Anchor PM400/126 Popcorn Popper	4,837	10.10	48,853.70
3	Anchor PM481/T1 Utility Pan	7,829	5.40	42,276.60
4	Anchor PM486/T1 Divided Plate	6,697	5.40	36,163.80
5	Anchor PM469/T1 Bacon Rack	6,089	5.40	32,929.20
6	Anchor PM447/T1 Muffin Pan	5,174	5.40	27,939.60
7	Anchor PM446/T1 Rd Bacon Rack	4,678	5.40	25,261.20
8	Anchor PM444/T1 Bake Sheet	4,280	5.40	23,112.00
9	Anchor PM498/T1 Bundt Cake Pan	3,600	5.40	19,440.00
10	Anchor PM499 All Purpose Rack	3,582	5.40	19,342.80
11	PA600/112 Turntable	590	28.22	16,649.80
12	Anchor PM459/T1 Baking Ring	2,797	5.40	15,103.80
13	Anchor PM480/T1 4 qt Cooker	1,438	10.10	14,523.80
14	Anchor OM400/131 Main Dish	2,590	4.70	12,173.00
15	Corning Mw-A-10 Browning Skillet	605	19.41	11,743.05

COOKWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Ghsw 0707 21-qt Covered Canner	1,641	14.14	23,203.74
2	Regal W3271 12" Gourmet Pan	2,718	7.92	21,526.56
3	Regal W3270 10" Gourmet Pan	3,657	5.68	20,771.76
4	Kenc FSL-7 7-pc Copper Bottom	1,075	16.52	17,759.00
5	Anchor 3676DE Crystal Tea 16	41,715	0.31	12,931.65
6	Ekco 64100 Cookie Sheet	4,344	2.97	12,901.68
7	Regal W3269 8½ Gourmet Pan	3,429	3.76	12,893.04
8	Mirro 1487-34 7-pc Cookware	491	22.78	11,184.98
9	Ekco 64330 Oblong Cake Pan	3,663	2.97	10,879.11
10	Mirro M-1452-34 12" Frypan	1,308	7.43	9,718.44
11	Stnc PC500-8 Burner Bib Ge	6,840	1.33	8,506.68
12	Mirro MO932-36 Teakettle, Choc	1,781	5.00	8,905.00
13	Stnc 701-6 Burner Bib Plug	4,786	1.82	8,710.52
14	Stnc 602-8 Burner Bib Fital	6,396	1.33	8,506.68
15	Mirro MO932-43 Teakettle, Alm	1,698	5.00	8,490.00

RUBBERMAID

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	2982 20 gal Can, choc	2,529	14.14	35,760.06
2	8765 Ice Tray Display	11,089	1.37	15,191.93
3	2965-19 Laundry Basket, choc	3,834	3.50	13,419.00
4	2864 Swingtop Basket, choc	1,763	7.45	13,134.35
5	2965-19 Laundry Basket, alm	3,564	3.50	12,474.00
6	2965 Laundry Basket, alm	2,275	5.07	11,534.25
7	2864 Swingtop basket, alm	1,440	7.45	10,728.00
8	0450 Bath Mat, lt blue	3,480	2.91	10,126.80
9	2965 Laundry Basket, choc	1,941	5.07	9,840.87
10	0450 Bath Mat, white	3,336	2.91	9,707.76
11	2858 Step-on Can, alm	717	11.49	8,238.33
12	2858 Step-on Can, choc	664	11.49	7,629.36
13	2890 30-gal Rghnck, choc	544	14.00	7,616.00
14	0450 Bath Mat, alm	2,491	2.91	7,248.81
15	2987 Hamper, alm	696	10.40	7,238.40

BATH SHOP

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Selfix 443-94 Portable shower	1,921	8.27	15,886.67
2	Mafr 66TT Toilet seat, white	1,962	7.77	15,244.74
3	Selfix C441-94 Shampoo Spray	5,953	1.80	10,715.40
4	Naut N8773 Essex Oak Cabinet	235	40.92	9,616.20
5	Selfix 2208-94 Tissue Holder	6,352	1.25	7,940.00
6	Magn M100 Toilet Seat, white	804	7.71	6,198.84
7	Kelg 215 Bowl Brush Tamp	5,577	1.09	6,078.93
8	Ekco 38110 18" Towel Bar	2,556	2.07	5,290.92
9	Naut N323LW Ventura Cabinet	108	44.47	4,802.76
10	Ekco 38170 24" Towel Bar	1,937	2.42	4,687.54
11	Ekco 38090 Tissue Holder	2,634	1.90	4,491.60
12	Mafr 44D Toilet Seat, white	471	9.24	4,352.04
13	Selfix 2274-94 Towel Bar, 24	2,376	1.75	4,158.00
14	Coun 410N-90 Wckr Scale W	274	14.65	4,014.10
15	Selfix 2210-94 Towel Ring	3,133	1.28	4,010.24

Source: Schreiber, distributor, Lititz, Pa., for the June 1-Aug. 31, 1985 period, covering 625 stores, including 545 discount department stores in the Northeast, Southeast, mid-Atlantic and North Central regions.

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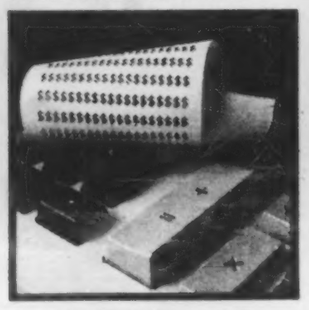

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Best to Invade New York Metro Market in '86

(Continued from page 1)
the Roosevelt Field Shopping Center, one of the largest regional malls in the nation. Surrounding that center are such specialty discounters as Marshalls, NBO, Toys "R" Us, Kids "R" Us and Crazy Eddie.

- A 56,000-sq.-ft. unit in a new strip center being built in Yonkers, Westchester County, adjacent to the Cross County Center, another regional shopping center. It is located at the intersection of two major arteries: the New York State Thruway and the Cross County Parkway.
- A 55,000-sq.-ft. store in Dover, N.J., which is on the fringe of Metro New York Area. It's a suburban area that currently doesn't have any Service or CD.
- The recycling of stores to be leased in Paramus and Watchung, N.J. Negotiations for those sites were being completed at presstime.

Paramus is one of the premier retailing areas in the country, home to three massive enclosed shopping centers. Along the two main highways that form the heart of the market—routes 4 and 17—are also found specialty stores, along with Service and CD, that aren't in the malls.

In the past, Best hasn't disclosed expansion plans a year ahead of projected late summer and fall openings. Trade observers speculated top management did so this time to reaffirm the cataloger's commitment to grow and its willingness to take on its major competitors despite the company-projected lackluster financial performance this year.

Additionally, the New York move is seen as raising Best's profile on Wall Street as security analysts for the major brokerage houses will more readily be able to visit and shop the cataloger's showrooms, rather than having to schedule specific research trips to the headquarters Richmond area or the nearest market, Philadelphia.

In entering metro New York, Best goes into a market that, despite its size, hasn't been a competitive hotbox in general merchandise hard goods since such discounters as Unishops, Korvettes, Two Guys and Great Eastern folded during the course of the 1970's.

The heavyweight general merchandise retailers in the market now are full-priced department stores, upscale discounters Bradlees and Caldor, along with K mart—all of which are focusing on apparel—plus CD, Service and specialty toy, photo and consumer electronics chains; only the latter grouping of stores makes any noises about low prices for hard goods.

Trade observers asserted that Best's need to quickly buy market share could result in the distribution of a low-priced "butcher" catalog, along with heavy promotions for the showroom upon its entry into New York. Best followed this marketing plan a few years ago when it entered Philadelphia and then Miami.

This marketing, in turn, could trigger heavy counter promotions from Service and CD, each of which would be acting to hold onto, if not expand, its market share.

Both increased their presence in the market this year and plan to do the same next year.

Service, which is battling Best for the top volume spot among catalogers, unveiled a 25,000-sq.-ft. mini-showroom in August in the Woodhaven section of Queens as its first store within New York City itself, and No. 13 in the market (see *DSN*, Oct. 14, p. 39).

The cataloger has already scheduled a similar-size unit for Staten Island next fall as its second showroom within the city limits. That unit will follow a spring opening of a 50,000-sq.-ft. showroom in the Long Island suburb of Patchogue.

CD, meanwhile, is due to open a 21,147-sq.-ft. showroom in the Kissena Boulevard section of Queens at the end of this month as its sixth store in the borough. That unit is one of three the cataloger is unveiling this year as part of a plan to develop a larger-size prototype to replace its current 10,000- to 15,000-sq.-ft. model.

CD executives said the enlarged showrooms would display more merchandise than its current smaller prototype, thereby increasing sales. Such units are seen as a key factor in enabling CD to better compete against Best and Service and become a profitable operation.

As CD's largest market in terms of showrooms, sales and potential, the cataloger is expected to plant a large number of expanded stores in metro New York once the new prototype is set.

—ARTHUR MARKOWITZ

Turnover Gains, Markups Falter

(Continued from page 3)
tives, among others, while showing slight increases in housewares and sporting goods.

Gross margin comparisons presented a mixed bag, with decreases registered in 22 departments, increases in 23, with one department—toys—remaining stable. Notable increases were shown in traffic appliances, up 7.94 points or 50% from the previous year's level; juvenile furniture, up 5.61 points; fabrics, notions and yarns, with a 4.38 points increase; and women's dresses, up 2.88 points.

The deepest gross margin drops were experienced in housewares, off 2.89 points; candy, off 1.68; and domestics, off 1.33.

Clarification

The headline and article in the Oct. 28 issue of *Discount Store News*, "Discounters Boost Net to 2.54% in '84-'85, Their Highest Ever," referred to *all* respondents to the NMRI/Cornell University study. The chart which accompanied the article on p. 1 was based on responses from a control group of 26 chains which responded to the latest and previous surveys.

NRMA Will Issue Guidelines

(Continued from page 3)
ny will switch over if the new standard proves to be viable and if the change can be made without disrupting the present system.

According to the NRMA's Miller, the new system will make switching easy. "A translation package for transferring K mart's or somebody else's system and making it compatible with X 12 would sell for about $6,000 and that would give them access to many more vendors," he said.

It would also overcome the limits built into a one chain system. An average computer-to-computer transaction at K mart takes 10 minutes. Even with six telephone lines, the maximum number of orders that can be processed in a 24-hour day would be 864. With X 12 and a central computer the number would be limitless.

Despite 10 years of effort, the NRMA has no intention of going into the computer business, said Miller. The organization will just publish guidelines for setting up the X 12 system. General Electric Information Services Company (GEISCO) will bring out the software in a joint ownership/licensing agreement with the association.

The price of the package has not been set, but it will probably be a couple of thousand dollars—much less than a store would have to spend to develop its own system.

Running the system, too, is being left to outsiders. There are already a number of computer information exchange systems in place, run by, for example, G.E. and AT&T. And nothing is preventing stores and suppliers to set up or continue their direct contacts. All the NRMA is trying to do is making sure that every computer is talking the same language.

Mfrs.' Appliance Shipments Gain

CHICAGO — Major appliance shipments rose 3.9% in September, according to figures released by the Association of Home Appliance Manufacturers (AHAM).

Increases in several categories were offset by a decline in cooking appliances, with sales of microwave ovens dropping off 3.9% to 852,500 units, compared to the same month a year ago. For the third quarter, microwave sales ran 6.8% ahead of last year, while so far this year sales are up 25.1%. These numbers include domestically produced units for sale here and for export.

In all, 3.39 million major appliances were shipped in September. Product categories showing the greatest growth were home laundry, up 10.5%; food preservation, up 6.6%; and kitchen cleanup, up 3.1%.

Wal-Mart's Sales Up 29% in Sept.

BENTONVILLE, Ark. — Wal-Mart Stores reported net retail sales for September 1985 of $628,000,000, an increase of 29% compared to $487,000,000 in the same period last year.

For the first eight months of the chain's fiscal year, sales increased 31% to $4,950,000,000, up from $3,783,000,000 last year.

Same-store sales grew 5% for September, and 9% for the eight months.

Highlights of Mass Merchandisers' Operating Results

Category	Sales % of total store: Most recent fiscal year	Previous fiscal year	%-Point change	Annual turns: Most recent fiscal year	Previous fiscal year	%-Point change	Cumulative markup (%): Most recent fiscal year	Previous fiscal year	%-Point change	Markdown at retail (%): Most recent fiscal year	Previous fiscal year	%-Point change	Gross margin (%): Most recent fiscal year	Previous fiscal year	%-Point change
Women's dresses	0.92	1.09	−0.17	4.84	4.50	+0.34	46.84	45.26	+1.58	19.51	18.42	+1.09	36.59	34.11	+2.48
Lingerie, robes & sleepwear	2.44	2.47	−0.03	4.48	3.76	+0.72	44.22	44.13	+0.09	10.30	9.32	+0.98	38.72	38.24	+0.48
Hosiery	1.55	1.57	−0.02	4.99	4.23	+0.76	40.54	40.99	−0.45	7.10	6.55	+0.55	36.39	36.20	+0.19
Sports, leisure & beachwear	6.12	6.03	+0.09	6.24	5.30	+0.94	46.57	46.11	+0.46	17.09	15.80	+1.29	37.42	36.61	+0.81
Handbags and accessories	1.46	1.30	+0.16	4.88	4.26	+0.62	50.32	50.41	−0.09	14.33	12.75	+1.58	42.93	42.88	+0.05
Jewelry and watches	2.20	1.99	+0.21	3.05	2.25	+0.80	48.96	49.96	−1.00	15.36	18.03	−2.67	39.28	38.35	+0.93
Men's wear	6.89	6.87	+0.02	4.53	3.93	+0.60	42.54	42.49	+0.05	13.71	11.18	+2.53	34.50	34.97	−0.47
Men's outerwear	1.97	2.26	−0.29	4.00	3.90	+0.10	44.66	44.84	−0.18	18.72	14.23	+4.49	33.63	34.46	−0.83
Girls' wear	2.27	2.27	0	4.67	4.34	+0.33	45.28	45.15	+0.13	15.85	13.75	+2.10	36.66	36.62	+0.04
Boys' wear	2.43	2.48	−0.05	4.23	3.59	+0.64	42.57	42.75	−0.18	13.63	11.64	+1.99	34.52	35.34	+0.82
Infants' wear	2.83	2.78	+0.05	5.32	4.14	+1.18	37.15	36.11	−1.04	11.02	8.42	+2.60	30.11	30.30	−0.20
Juvenile furniture	0.59	0.24	+0.35	3.43	3.64	−0.21	39.77	34.53	+5.24	13.01	10.44	+2.57	31.67	26.06	+5.61
Shoes	3.37	3.49	−0.12	3.88	2.63	+1.25	49.62	50.28	−0.66	14.75	15.80	−1.05	42.45	43.62	−1.17
Domestics	4.49	5.16	−0.67	2.75	2.57	+0.18	39.71	41.36	−1.65	12.22	11.64	+0.58	32.75	34.08	−1.33
Fabrics, notions and yarns	2.78	2.49	+0.29	4.70	2.63	+2.07	39.59	38.13	+1.46	10.16	9.62	+0.54	34.55	30.17	+4.38
Housewares	5.11	4.40	+0.71	3.44	2.92	+0.52	37.36	40.02	−2.66	11.70	11.66	+0.04	30.46	33.35	−2.89
Hardware	3.03	3.02	+0.01	3.21	2.58	+0.63	36.76	37.84	−1.08	8.65	8.99	−0.34	30.36	31.01	−0.65
Paints & accessories	1.16	1.28	−0.12	2.72	2.23	+0.49	38.94	39.84	−0.90	9.84	10.08	−0.24	32.89	33.31	−0.42
Toys and games	6.43	5.65	+0.78	4.34	3.53	+0.81	32.83	33.90	−1.02	7.17	7.96	−0.79	28.10	28.10	0
Sporting goods	3.49	3.17	+0.32	3.74	2.38	+1.36	31.51	32.47	−0.96	8.84	8.62	+0.22	26.42	26.71	−0.29
Traffic appliances	2.13	2.41	−0.28	4.74	3.49	+1.25	28.54	24.17	+4.37	8.95	9.59	−0.64	23.38	15.89	+7.94
Sight/sound appliances	4.03	3.86	+0.17	3.61	2.88	+0.73	24.84	24.92	−0.08	10.13	11.89	−1.76	16.59	15.90	+0.69
Photo supplies	1.63	1.59	+0.04	4.61	3.43	+1.18	22.00	23.29	−1.29	7.39	8.73	−1.34	15.95	14.96	+0.99
Candy	3.76	3.54	+0.22	10.97	8.23	+2.74	21.83	23.06	−1.23	6.41	5.84	+0.57	16.45	18.13	−1.68
Stationery & greeting cards	3.14	3.01	+0.13	4.44	3.69	+0.75	42.93	43.57	−0.64	6.66	6.66	0	39.48	39.38	+0.10
Drugs and cosmetics	7.98	7.83	+0.15	5.26	4.06	+1.20	24.38	25.15	−0.77	5.81	5.72	+0.09	19.57	20.32	−0.75
Cosmetics & beauty aids	2.47	2.13	+0.34	2.93	3.20	−0.27	29.06	30.53	−1.47	7.14	9.53	−2.39	21.76	22.79	−1.03
Lawn and garden	2.43	2.35	+0.08	5.40	3.74	+1.66	31.81	33.20	−1.39	13.73	14.12	−0.39	22.01	23.19	−1.18
Auto accessories	3.94	4.03	−0.09	4.20	2.89	+1.31	31.31	33.32	−2.01	8.08	9.69	−1.61	25.55	25.67	−0.12

Source: NMRI's *Mass Retailers' Merchandising Report*

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Discount Store News®

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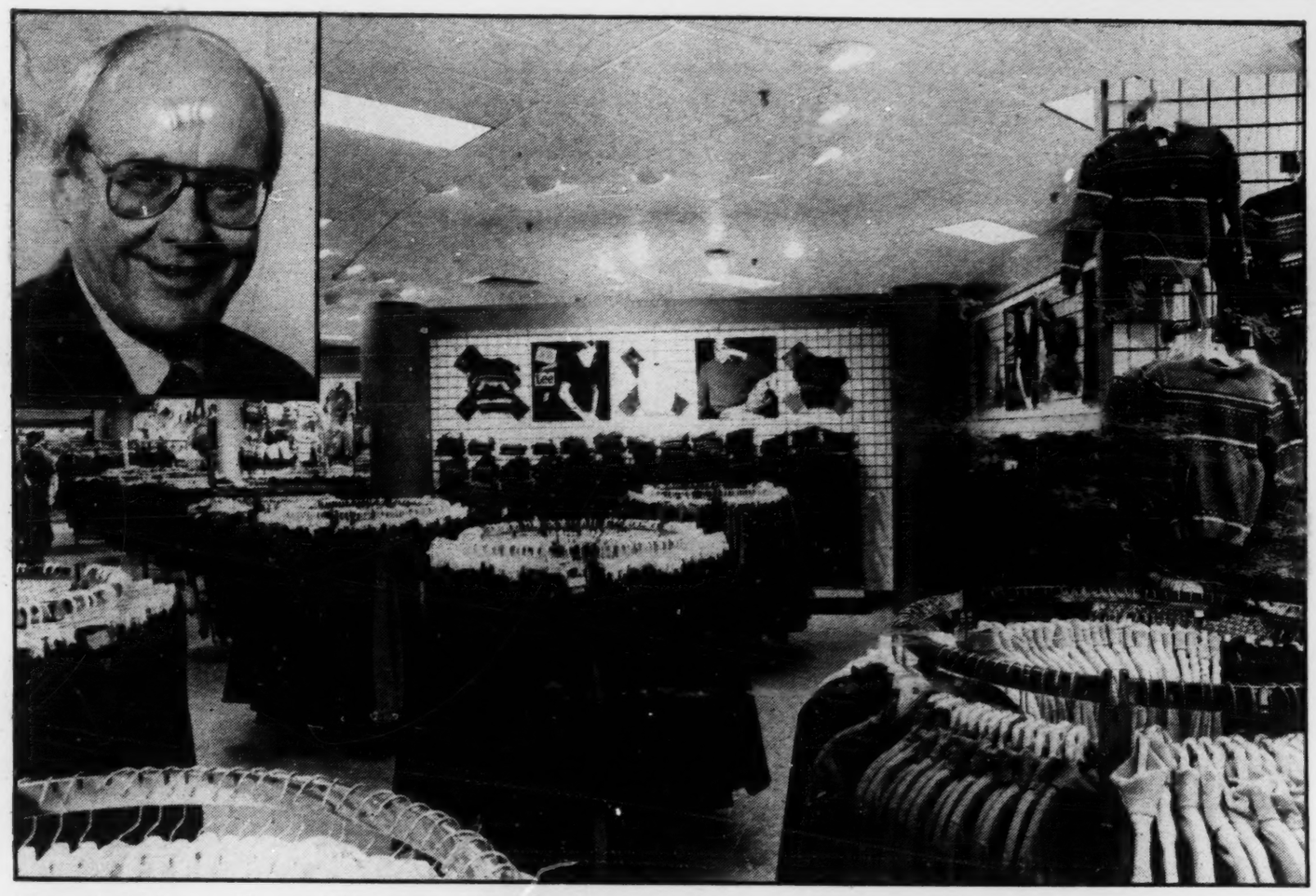


Target chairman Bruce Allbright said by the end of 1986, about 50 stores will have elements of the latest prototype, such as freestanding apparel department walls and graphics seen here in Edina, Minn.

Target Steps Up Growth, Prototype

By IRIS S. ROSENBERG

MINNEAPOLIS — Target's newly minted prototype store format will quickly gain a grip on the 226-unit chain following the company parent's announced plan to accelerate the discounter's new store opening plans.

By the end of the next year, about 50 Target stores will bear the stamp of the new prototype design unveiled in Edina, Minn. (Minneapolis) and Garland, Tex. (Dallas) last month (see *DSN* page 1, Oct. 14th issue). This includes 23 stores slated for remodeling in 1986 and another 21 scheduled to be built during the year.

Parent Dayton Hudson has earmarked $4 billion in capital expenditures for its six retail divisions, to be spent between 1986 and 1990. During the period, Target will open 117 new units. A year ago, Dayton Hudson announced a $3.2 billion capital expansion plan which was to see the chain add 72 stores between 1985 and 1989; 11 stores have been opened thus far this year.

The chain's continuing strong sales performance, which surpassed $3.5 billion at the end of its last fiscal year, prompted Dayton Hudson management to accelerate the division's growth.

Eighty-five per cent of the new capital budget will be spent by Target and its sister division Mervyn's, a junior department store chain.

The remodeling of five other stores, also in the Dallas/Fort Worth market (Plano, Carrollton, Hulen, Hurst and West Fort Worth), was completed in early November.

The next round of remodels, slated to begin after Christmas, will focus on stores in the Minneapolis/St. Paul and Denver metro markets, according to

(Continued on page 45)

Warehouse Clubs Jockey for Position In Growth Market

Nationwide DSN *Report*

The race is on among several major companies to become the key players—and survivors—in the fast-growing membership warehouse industry.

The industry, sparked by the growth of its two dominant chains—Price Club and Sam's Wholesale Club—is planting roots in an increasing number of markets and should end the year with about 130 stores, double the number in 1984.

It's this growth, along with the industry's glowing future outlook, which is seen as triggering the upcoming fight among the current dozen different wholesale clubs for a major piece of what is expected to become a 1,000 store, $50 billion plus merchandising field by the end of the decade.

By the end of this year, the companies already in the industry—seven major contenders and six smaller operators—are expected to have about $4 billion in sales, up from about $1.1 billion last year.

The jockeying to become a major wholesale club by obtaining the financial strength to grow and expand has seen two firms, PACE and the Warehouse Club, become publicly held companies, while two others, Costco and the Wholesale Club, are in registration and a few of the smaller operations are expected to follow suit.

The under-financed smaller wholesale clubs are also prime candidates for acquisition by larger membership warehouses. That movement has already started; earlier this year BJ's Wholesale Club agreed to acquire Metro Cash & Carry Wholesale, a three-unit operation in Chicago, as its entry into the Windy City.

The Kroger supermarket company, meanwhile, acquired Price Savers from parent Pay 'n Save, and plans to rapidly expand the four-unit chain with a fifth store scheduled to open next month. Kroger is the first grocery chain to move into the wholesale club field and trade sources report that other supermarket companies are considering the same action.

Membership warehouses, with about half their sales comprised of food and sundries—the core business of a supermarket—are seen as a natural extension of a grocery chain's operations.

PACE president Henry W. Haimsohn explained that wholesale clubs are "extremely capital intensive and if you don't have the finances, the resources, you can't be competitive."

In its public offering, PACE raised over $43 million, while the Warehouse Club obtained slightly over $35 million from its public placement.

The Wholesale Club, based in Indianapolis, is seeking to raise between $14 million and $17.5 million from its offering, while Seattle-based Costco's goal is $58 million to $71 million.

The potential of membership warehouses has resulted in companies being able to obtain funds—in some cases even start-up money—in private placements, so that the companies can show an operational history before going public.

Costco last year raised about

(Continued on page 45)

IN BRIEF

• **SCOA INDUSTRIES** Inc. stockholders are scheduled to meet on Dec. 10 in a special session to vote on a proposed $637 million leveraged buyout of the company. The buyout group includes several key executives of Hills, a SCOA subsidiary.

• **INTEGRATED BARter** International, a wholesale supplier of closeout and liquidation merchandise, plans to enter the retail field through a new subsidiary called Closeouts Plus. A registration statement for stocks and warrants to help finance the proposed chain is pending at the Securities and Exchange Commission.

Pic 'n' Save Founder Buys Into Pay 'n Save

SEATTLE — William Zimmerman, founder and former chairman of the Pic 'n' Save closeout chain, has acquired half interest in Pay 'n Save Stores, and has taken over as that chain's chairman and chief executive officer.

The Zimmerman Family Partnerships shares ownership of the 108-store chain with the Trump Group, which bought Pay 'n Save Corp., parent company of the drug store chain, late last year.

The chain's management team will also include two current executives: Allen Culver, president of stores and chairman of the Northwest Division, and Maynard Jenkins, Northwest Division president. Culver previously held the title of chairman of Pay 'n Save Northwest, which included only those drug stores in the continental United States. With his new position, he also oversees stores in Alaska and Hawaii. In addition, Avi Navah, formerly of Pic 'n' Save, has joined the company as vice president.

Culver said the chain plans to take advantage of the merchandising techniques and contacts Zimmerman developed during his years at Pic 'n' Save. As a closeout operation, Pic 'n' Save takes advantage of low-cost, one-time deals that offer shoppers items at prices 40% to 70%

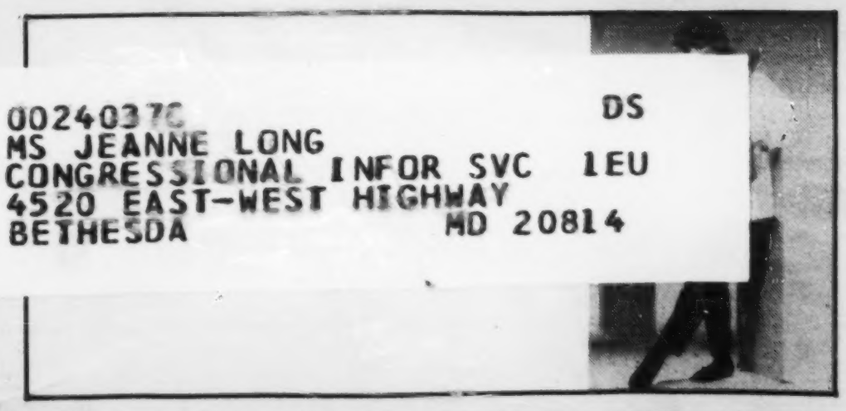
(Continued on page 45)

Seven Top Warehouse Clubs Compared

Company	Sales (millions)	Income (millions)	Projected Store Count as of Dec. 31, 1985	Projected Openings 1986
Price Club	$1,834.0[a]	$46.0[a]	25	10
Costco	366.4[a]	(6.0)	20	10
Sam's*	25.0	8.5	23	25
PACE	76.1[c]	0.6	16	15
Wholesale Club	46.1	(1.6)	5	5
Warehouse Club	26.0[b]	(1.3)[b]	7	9

[a] For fiscal year ended Sept. 1, 1985. [b] For fiscal year ended Sept. 30, 1984. [c] Includes membership fees. *Analyst estimates

Sources: Company prospectus, financial reports.



'86 Licenses: The Accent Is on Plush

Diary of a License

Both Stories P. 26

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Discounters Tighten Store Manager Benefit Packages

NEW YORK — Mass merchandise chains are tightening up on the benefits packages being offered to store managers, according to a survey conducted by the National Mass Retailing Institute (NMRI).

Responses to the group's 1985 Mass Retailers' Executive Perquisite Report indicated that while benefits have essentially stabilized for top executives, chains are reworking compensation packages offered to store managers.

For example, only 11% of the chains said they currently provide dental insurance plans to store managers—a sharp drop from the 30% that offered them when the survey was last conducted two years ago.

In fact, benefits for store managers were up in only six of the 52 categories in the study; in 37 categories, the number of chains offering the benefits declined.

The results are based on responses to questionnaires distributed to NMRI retail members every other year. Response rate this year was 75%.

NMRI president Richard I. Hersh said that comments on response forms indicated companies are generally cutting back on the depth of health care benefits. "They are increasing the number of people covered," said Hersh, "but they are lowering the coverage."

One way they're doing that is requiring the employee to pay part of the insurance cost, or excluding coverage for an executive's family.

The survey figures show that ceos and presidents have medical coverage in 95% of the companies surveyed, as opposed to 90% two years ago. The increase is more dramatic at the middle management levels: 78% of the top regional managers now receive health insurance, up 27 percentage points compared to 1983. Coverage for all levels of field management also shows a significant gain of more than 20 percentage points across the board.

At the store level the situation has not changed much: 55% of the companies surveyed give their store managers medical coverage (58% in 1983), and 53% offer it to their assistant store managers (54%).

The perks study revealed a significant shift in the way health benefits are now being offered. More companies are moving away from the traditional fixed benefit packages to so-called "cafeteria benefits" which allow the employee to pick and choose, cafeteria-style, from among several benefits to assemble a package best suited to his or her individual circumstances.

The survey does not break out how many companies have increased contribution required from employees for health care or taken other measures to lower the costs of increasingly expensive medical benefits. But, some of the figures tend to support this conclusion.

For example, fewer companies are giving their executives fully paid dental insurance. Only 33% of the ceo's receive that benefit (down from 36% two years ago, 17% of the top merchandising managers (from

(Continued on page 46)

Percentage of Chains Offering Perks

Perquisite	To CEOs/ Presidents 1985	To CEOs/ Presidents 1983	To Top Merchandising Execs 1985	To Top Merchandising Execs 1983	To Top Regional Managers 1985	To Top Regional Managers 1983	To Store Managers 1985	To Store Managers 1983
Company paid medical coverage	95%	90%	82%	57%	78%	51%	55%	58%
Dental insurance	35	46	35	36	28	33	22	41
Prescription drug plan	55	45	35	33	28	31	33	39
Long term disability insurance	90	84	71	78	66	72	68	75
Compensation for holidays worked	22	7	11	9	11	9	32	30
Employee Stock Ownership Plans (ESOPs)	31	22	31	19	31	19	31	19
Nonsalary relocation bonuses	26	21	18	16	22	18	12	22

Source: NMRI

Gayle Anderson, Danners (l.), and Lloyd Eberly, Schreiber Co. (r.)

Derek Dubin (l.) and Donald Brown (r.), Gold Circle

Felix Sabates, Top Sales Co. (l.), and Jerry Foreman, Service Merchandise (r.)

Color, European Design Spark Buyers' Interest at NHMA Show

CHICAGO — In the absence of exciting new products, discounters shopped this month's Housewares Show for established, but growing, categories like microwave ovens and accessories, KD (knockdown) furniture and under-the-cabinet electric appliances.

Bold colors, including black, drew traffic in kitchen storage, closet organizing and personal electrics, as did European styling—especially KD furniture—where retailers were edging out of basic wood tones and into black and white laminates with brass trim and glass doors.

Dinnerware assortments also generated interest with retailers anticipating new bids for market share by manufacturers, like Corning and Anchor Hocking, that could help rejuvenate the tabletop business.

Corning, for example, has restructured and repackaged its dinnerware program into distinct good-better-best offerings with updated and fashionable designs added to existing patterns. Anchor Hocking, until recently primarily a glassware source, has made a strong commitment to the dinnerware business with a new 60-pattern program.

In general, though, many retailers complained the show's November date left them no time (or open to buy) to place Christmas orders and, yet was still too early for spring since many manufacturers don't show new lines until after the new year. Catalogers, especially, felt their hands were tied, since 1986 catalogs have already been completed.

As a result, traffic at the show was much lighter than at the spring show; even manufacturers from major companies were left sitting in near-empty booths.

One showgoer who didn't complain about his predicament was Howard Snyder, vice president of the Odd-Job Trading closeout operation. "For us," he said, the timing of the show "is a windfall."

He explained that because he can arrange to pick up goods immediately, he was buying Christmas ornaments and items like placemats and stuffed animals with holiday motifs. Snyder said he was also buying merchandise that manufacturers were clearing out from past seasons, like an electric kettle with automatic shutoff, Marimekko design glassware sets and 7-piece cookware sets.

Nevertheless, despite the show's awkward timing, it is clear from retailers' comments they are eager to incorporate some of the new houseware looks into their assortments—after the first of the year.

Richway senior vp, gmm, hard lines Ira Bodker, pointed to color as the strongest fashion trend to emerge at the houseware show, whether it meant Rubbermaid's slate blue and

(Continued on page 46)

Discounters Show Slight Oct. Sales Gain

NEW YORK — Most discount chains have reported single digit, same-store sales increases for October 1985.

Two chains, Bradlees and Ames, showed larger increases, with Bradlees acknowledging that it had taken a highly promotional stand that helped it achieve these gains.

K mart, the nation's largest discounter, reported a 2.6% drop in same store sales.

Toy giant Toys "R" Us' comparable sales were down by 1.2%, as well.

■ **K mart** reported a sales increase of 3.9% for the four weeks ended Nov. 2. Sales for the United States operation were $1,528,100,000 compared to $1,470,500,000 for the same period last year.

Year-to-date sales were up 8.9%, from $13,851,200,000 in 1984 to $15,086,200,000 in 1985.

Same store sales were down 2.6% for the month of October.

K mart now operates 2,176 stores, up from 2,165.

■ **Wal-Mart**, for the calendar month of October, reported net sales of $727 million, up 34% from the $544 million in the same period a year ago. Same store sales for the period were up 8% over last year.

At the end of the month, the company was operating 834 Wal-Mart stores and 19 Sam's Wholesale clubs, compared to 726 Wal-Marts and seven Sam's Warehouse clubs a year ago.

For the nine months ended Oct. 31, sales for Wal-Mart were up 31% to $5.677 billion, from $4.327 billion a year ago.

■ The **Target** division of Dayton Hudson had a 10% sales increase for the four weeks ended Nov. 2. During that period, Target operated 226 stores, vs. 215 a year ago.

The **Mervyn's** division registered an 18% gain in sales for the period, compared to year-earlier results. This year, it operated 147 stores, compared to 126 a year ago.

Dayton Hudson's specialty store division, which includes **Lechmere** and **B. Dalton**, showed the strongest gains of any of the company's operations, with a 26% increase for the month. A company spokesman said that Lechmere's own sales gains were larger than the 26% combined total. A year ago Lechmere operated eight stores; during this past October, it had 10 units.

■ Federated Department Stores reported that its mass merchandise divisions—**Gold Circle** and **Richway**—had sales of $75.4 million in the four weeks ended Nov. 2, up 7% from the $70.4 million in the same period a year ago.

For the 39 weeks, those operations showed a 1.3% increase from $698.9 million in the year earlier period to $707.9 million in the current year.

As a total Federated showed a 4.9% increase in October to $718.7 million, and a 6.8% increase for the 39 weeks to $6,734,900,000.

■ **Zayre Corporation** reported a 20% increase in sales for

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Warehouse Clubs Jockey for Position

(Continued from page 1)

$30 million in a private placement with Carrefour S.A., a French hypermarket company. Earlier this year a smaller wholesale club, A. Howard Wholesale, obtained an undisclosed amount from an unidentified private source that company executives said would help fuel its expansion from nine units to 18 in 1985, to 21 by the end of 1986.

In striving to firm up a financial base, these companies join a trio of well-financed firms—the Price Club, which originated the membership warehouse concept just nine years ago and today is the most successful chain; Sam's Wholesale Club, a division of discounter Wal-Mart and BJ's Wholesale Club, an arm of diversified retailer Zayre Corp.

Trade observers list these three operations as among the survivers in any future shakeout in the membership warehouse field; Price Club because of its dominant position, and Sam's and BJ's because of their current productive operations and because "their parents have deep pockets," in the words of one trade observer.

Mervyn Weich, president of BJ's Wholesale Club, said that as the industry grows and more companies "meet head on, we may expect new competitive strategies to emerge. Financially weaker outlets may start to offer such things as free memberships, additional services, private lines and institutional advertising, as well as other inducements, in attempts to draw customers. Stiffer competition will inevitably force a shakeout and therefore, in our industry only the most innovative, disciplined and financially secure operations will prosper."

Walter H. Teninga, former K mart vice chairman and founder of the Warehouse Club, noted that the membership warehouse industry has grown so that vendors are now approaching wholesale clubs, rather than companies having to solicit manufacturers. A growing number of manufacturers are even putting together programs for wholesale clubs that help membership warehouses hold down their costs, he added.

Jeffrey Brotman, Costco chairman, said membership warehouses will have phenomenal growth over the next five to 10 years, with a few units in every major metro market. But the industry's impact is being misread he explained, citing the fact that the Price Club now has about 2% of the total sales in San Diego County.

While that's a major amount for one company, what everyone forgets is that the vast amount of the sales are at wholesale and they are being counted at retail, he said.

The lucrative potential at stake in becoming a major membership warehouse is evident from the results recorded by the Price Club, which went public in 1980 when it had four stores producing $148.3 million in sales and $2.5 million in earnings.

The Price Club, in the fiscal year ended Aug. 31, 1985, had $1,834.0 million in sales, up 60.7% from $1,141.4 million, while net earnings of $46 million were a 60.8% jump from $28.6 million.

The Price Club format, which has been faithfully emulated by all the other membership warehouse operators, called for a low cost, low margin, high volume operation geared to serve business and group memberships of tightly selected consumers, such as Government employees.

Price Club stores generate sales in the $60 million to $100 million range from 100,000-sq.-ft., bare-bone units in which customers help themselves from warehouse shelving displays of merchandise.

Security analysts report that the Price Club's operating costs run about 7½% of sales and its gross margin, which includes fees for such service as automotives, is about 10%.

Business firms pay a $25 membership fee and buy merchandise at wholesale, while individuals who are group members either pay a $15 fee or no fee, depending on the specific wholesale club's policy, and buy goods at 5% above the wholesale price.

Price Club, followed by a few other companies, earlier this year instituted a Gold Card for group members which cost either $25 or $30, but allows them to buy at the same wholesale price.

The customer combination of businesses and individuals from economically secure groups such as utility workers, credit union members and airline and railroad company employees, has resulted in sales of a membership warehouse rapidly growing to the $30-million-plus range within a year of operation.

The effect is to skew the upward financial performance of wholesale clubs as the industry is still in its formative stage with companies adding units that result in sharp sales jumps from year to year.

A. Howard Wholesale, one of the smaller wholesale clubs, for example, had one store when its fiscal year ended March 1985, with sales estimated at about $20 million. It will have nine units by March 1986 and volume is projected to jump to about $150 million.

A similar trend is evident at Sam's Wholesale Club, whose sales went from three stores doing about $25 million in 1983 to $225 million in 11 units in 1984 to an estimated $750 million from 23 this year and a projected $2 billion from 48 stores next year.

Per cent of Sales by Category

Company	Food (dry, frozen and perishable groceries)	Sundries (candies, H&BA, tobacco and alcohol)	Hard Lines (housewares, (hardware, appliances, office supplies, auto and CE)	Soft Lines (apparel, domestics and jewelry)
Price Club[a]	23%	34%	37%	6%
Costco	33	26	28	13
Sam's*	29	14	43	10
PACE	29[b]	26	22	19[c]
Wholesale Club	32[b]	13	39	9
Warehouse Club[d]	27	31	31	11

[a] For fiscal year ended Aug. 31, 1984. * DSN estimate. [b] Includes alcohol. [c] Includes hardware, auto and office supplies. [d] For nine months ended June 30, 1985.

Sources: Company prospectuses, financial reports.

Who Are the Members and What Do They Pay

Company	Membership		Per cent of Sales		Average $Sales	Membership Charges		
	Business	Individual	Business	Individual		Business	Individual	Gold Card
Price Club[a]	22.0%	78.0%	60.0%	40.0%	$55-$95	$25	$15	$25
Costco	16.0	84.0	58.0	42.0	N.A	25	15	30
Sam's[b]	30.0	70.0	50.0	50.0	65	25	Free	—
PACE	5.3	94.7	54.0[c]	46.0[c]	56.74	25	Free	25
Wholesale Club	6.1	93.9	43	57	46.84	25	Free	25
Warehouse Club	4.9	95.1	33.0[d]	67.0[d]	51.59[e]	25	Free	25

Note: Except where indicated, figures are for most-recently completed fiscal year, or most recent company estimates.

[a] For fiscal year ended Aug. 31, 1984. [b] Estimate from company sources, analysts. [c] For 17 weeks ended June 33, 1985. [d] For nine months ended June 30, 1985. [e] For fiscal year ended Sept. 30, 1984. N.A.—Not available.

Source: Company prospectuses, 10-Ks

Zimmerman Purchases Half of Pay 'n Save Stores

(Continued from page 1)

lower than retail. Also, some of Pic 'n' Save's merchandise is bought directly from overseas manufacturers.

However, Culver emphasized that merchandising changes will not affect the overall image of Pay 'n Save as a drug store chain. "We do not want to become a Pic 'n' Save. We are a drug store, and we'd like to incorporate the best of both formats." Currently, about 40% to 50% of Pay 'n Save's sales come from general merchandise.

"We're planning to look at the kind of merchandising that Bill Zimmerman's done in the past," Culver added. "It will be in a very controlled, orderly way, not of a giant magnitude scale as we try this thing out."

Zimmerman, who founded Pic 'n' Save in 1950 under the name Freight Outlet, watched his company grow to $235 million, 90-store operation by the time he retired last year. Arthur Frankel, who joined the operation in 1955, continues to head Pic 'n' Save as president.

Zimmerman's move to Pay 'n Save means he now heads an operation that reported sales of $509 million in 1984, before going private with its purchase by The Trump Group. Although the chain operates stores in five western states, Alaska and Hawaii, more than half the stores are located in Washington.

About the same time Zimmerman acquired half ownership of the Pay 'n Save Stores, The Trump Group split its parent operation into three independent corporations. Pay 'n Save Stores Inc., of which The Trump group retains half ownership, operates the Pay 'n Save drug store chain. The Pay 'n Save Corp. operates Ernst Home Centers, an approximately 90-store chain based in Seattle, Wash., Yard Birds, a three-store discount store chain based in Chehalis, Wash., and Northwest Drugs, the wholesale operation.

Prototype to Make Quick Impact

(Continued from page 1)

chain officials.

"None of the other stores will look exactly like the first two remakes," Target chairman Bruce Allbright told *DSN*, adding that, as of this writing, "no part of the format has been committed to, definitely."

The prototype revolves around three newly segmented worlds: Fashion World, the apparel departments set opposite the entrance to the store and down the left sidewall to the rear of the store; Home World, coordinating 10 home goods classifications around a free-standing focal display at the center of the store; Basic & Leisure World, highlighted by the expanded and upgraded consumer electronics department, which has been moved to the front right-hand corner of the unit (a space previously occupied by health & beauty aids).

The newly redone Texas stores have "the essence of the prototype," Allbright said: the same floorplan, the near ceiling-high interdepartmental walls in soft lines, the same floor treatment and wall colors. They don't have the dropped race track ceiling (which mirrors the main shopping aisles) or the four-color, back lit graphic panels which add lifestyle imagery to each of the main merchandise departments.

Cost, according to Allbright, is the mitigating factor. "The ceiling treatment accounts for 1% of the cost of a newly built unit—and 15% of the remodeling cost of an existing store."

On the other hand, he admitted that changes in layout and space allocation seemed less likely to change.

Chief among these was the allocation of 30% more floor space to consumer electronics and added footage (and more prominent positions) for shoes, children's wear and home furnishings. These all came at the expense of ready-to-wear, seasonal merchandise, toys and sporting goods, which were made smaller.

Additionally, in Edina and Garland the TBA (tire, battery and auto accessory) installation centers were closed; the bulk of that 1,800 sq. ft. of space went to CE. The chain continues to run TBA centers in its other stores.

"We're not trying to manage our gross margins by artificially managing the space," Allbright said. "The categories that deserve the space got it."

Thus, while the impact of a smaller ready-to-wear on total store sales could prove the decision "was a mistake," for now it's too soon to tell.

Allbright said all final decisions will wait until after November sales are posted. "We need a full month's results to see what the changes mean."

"We felt the lead we once had in every area had diminished or maybe was gone," Allbright said of the impetus that triggered the more than year-long project to create a new store. "We examined all areas of the business to see where we could step out in front." This included re-examining all operating systems, advertising and store presentation.

In advertising, this re-evaluation led to a new approach. "Today, we're using a catalog-size circular for all events," noted George Hite, chain vp, public and consumer affairs. These pieces all will have theme covers. "Commodities will re-run inside or on the back cover only."

Targeting New Targets

MINNEAPOLIS — As Target accelerates its store-opening program, new stores will be added in both new and existing markets.

In the summer of 1986, store openings are slated for Longview, Texarkana, Mesquite, Dallas (Redbird) and Houston (Sugarland) Tex., Appleton, Wis., Columbia, Mo., Elkhart, Ind. and Brooklyn Center, Minn.

In the fall, six stores will be added to the 32 currently operated in southern California. These include units in Lancaster, Simi Valley, Moreno Valley, LaHabra, Westminster, and Santa Ana.

A sixth Texas unit, in Arlington, is also planned for the fall, as are stores in Mesa and Chandler, Ariz., Eau Claire, Wis., Council Bluffs, Iowa and Great Falls, Mont.

Discounters Show Slight Sales Gains in October

(Continued from page 2)
the four-week period ended November 2, to $301,900,000, up from $250,900,000 during the same period last year. These figures include sales of the recently acquired Gaylord National Corporation.

Year-to-date sales for the chain were up 21%, from $2,141,400,000 in 1984 to $2,582,200,000.

■ The **Bradlees** division of Stop & Shop Cos. said that an extremely promotional stance helped bring it sales increases of 33% for the four weeks ended Nov. 2.

For the four weeks, sales were $141 million, up from $105 million last year. Comparable store sales increased 18%.

For the first 39 weeks of the year, sales of $1.028 billion were 12% over the same period a year ago. Comparable store sales were up 5%.

Stop & Shop chairman and ceo Avram J. Goldberg said Bradlees results benefitted from "our intensive program to increase sales in this competitive environment through exceptionally strong promotional activity and pricing. Our current goal is to drive for sales, and results were particularly strong in the hard lines portions of our business."

"We expect the highly promotional environment to continue through November and December as retailers cope with six fewer selling days."

■ **Ames** reported a 121% increase in sales for the four-week period ended Nov. 2 to $138 million, up from $62.5 million in October 1984.

Sales for the first 39 weeks of the 1985 fiscal year were up 75% to $968.5 million from $554 million, compared to the same period last year.

All figures include sales from the recently acquired G. C. Murphy Company.

■ **Venture** had a sales increase of 12.1% for the four weeks ended Nov. 2, with same store increases of 3.9%, according to figures released by the parent May Department Stores Co. Sales for the four weeks were $73 million, compared with $65.1 million a year earlier.

Venture opened two new stores in October, in St. Joseph, Mo., and Mundelein, Ill., both of which May chairman David Farrell called "very strong."

For the first 39 weeks, Venture's sales were up 15.1% to $699.3 million from $607.7 million. Same store sales increased 7.3% for the period.

■ **Best Products** reported October sales of $150,985,000, down 3.6% compared to last year's $156,608,000. Year-to-date sales were up 2.6%, from $1,336,787,000 in 1984 to $1,371,857,000 this year.

The chain noted that it had substantially completed the consolidation of all its data processing functions into a central system at its Richmond, Va., headquarters.

Best now operates 213 stores, up from 204 last year.

■ **The Federated Group Inc.** reported that sales for the four weeks ended Nov. 3 rose 80% to $24,800,000 from $13,800,000 for the same period last year.

Sales for the 35 weeks ended Nov. 3 also increased by 80% to $207,800,000 as compared to the same period last year.

Same store sales increased 10% in October to $14,700,000, up from $13,400,000 in 1984.

Same store sales for the year to date increased 8% to $123,500,000 from $114,100,000 last year.

The Federated Group now operates 49 stores compared to 25 during the like period last year.

■ **Toys "R"Us** reported a 16.8% gain in sales for the third quarter of this year, to $376 million compared to $322 million over the same period last year.

Sales for the first nine months were up 21.9% to just over $1 billion, as compared to $863 million for the same period in 1984.

Same-store sales decreased 1.2% over the third quarter of 1985. They were up 6.9% over the year to date, both compared to 1984.

Charles Lazarus, chairman of the board and ceo, said the flat sales this year were expected "considering the extraordinary volume in the third quarter last year."

Toys "R" Us currently operates 233 toy stores in the U.S. and 23 Kids "R" Us clothing stores. At this time last year, the company had 198 toy stores and 10 children's clothing stores.

Chains Decrease Perks

(Continued from page 2)
28%), 18% of the top regional managers (compared to 24%) and 11% of the store managers (down from 30% in 1983).

Companies are at least partially offsetting the general drop in the value of health coverage for their headquarters personnel by more often giving them prescription drug coverage plans. Fifty-five per cent of the mass retailers surveyed give this perk to their ceos and presidents (an increase of 10 points from 1983); participation in this coverage for other headquarters executives rose between 10 and 20 percentage points.

Ceos and presidents are increasingly allowed to take physical examinations at the company's expense (78% now, up from 63%). The only other group that saw a significant rise in the number of people eligible for company-paid physicals are the field managers (in 30% of the companies, up from 15%).

Free legal counseling is given to more executives at all levels. Eighteen per cent of the ceos are entitled to this (5% in 1983), and 8% of the general merchandise managers compared to none two years ago. Also, a growing number of store managers and assistant store managers is covered (both groups 4% now, 0% in 1983).

Government regulations requiring that companies increasingly give the same benefits to all staff members have resulted in greater uniformity among all levels of management in the areas of Employee Stock Ownership Plans (ESOPs), merchandise discounts and pensions.

ESOPs are now offered by 31% of the mass retailers, almost independent of the executive's level. The percentage is slightly lower for some middle managers.

Profit sharing plans are available to employees at 42% of the companies surveyed. There, too, the rate is less for the lower levels; only 22% of the companies offer this benefit to their assistant store managers.

Pension plans are included in benefit packages by 51% of the retailers across almost all management levels.

Merchandise discount plans are gradually being pulled back. Seventy per cent of the stores offer them to their ceos (down from 84% in 1983), and 66% of the senior headquarters managers receive them (as opposed to 84% two years ago). At the other levels the decrease is less dramatic but noticeable.

Relocating executives receive cash bonuses in 26% of the retailers surveyed if they are at the ceo/presidential level (up from 21%). At the other end of the scale: only 2% (down from 18%) of the retailers pay their assistant store managers extra when they move.

The "Mass Retailers' Executive Perquisite Report" is available from the National Mass Retailing Institute, 570 Seventh Ave., New York, N.Y. 10018.

Discounters Shop NHMA Show

(Continued from page 2)
black storage products or International Consumer Brands' licensed Candie's line of personal care products in colors like hot and light pink, bright and powder blue and purple and lavendar.

In fact, retailers were looking at quite a few lines of colorful personal care products including Conair's High Energy in blue, red, purple and pink; Clairol's Upstarts in royal blue, sea green and hot pink and The Hots line by Helen of Troy in magenta, ultramarine and yellow.

In addition to color, many of the personal care products also featured European design elements like sleeker, rounder edges, motors in the back of the appliances and push button controls.

Discounters were also examining ways to inject color and style into the KD furniture category, where they anticipate a 25% sales growth in 1986. Some chains like Gold Circle are considering black and white mica laminates to supplement the wood looks usually offered. Others are mixing caution with experimentation. For example, buyer Keith Parke of the Wholesale Club said that with oak furniture continuing to be his strongest business, he would look to incorporate Danish styling such as glass doors and brass trim into oak KD furniture.

The speed at which fashion style and color trickled down from the department and specialty store level to discount stores surprised some discounters. "Fashion colors have come right down fast," commented Stephen Jelin, president of Prange Way. "Mass merchants used to wait and see. They are now taking some creative risks."

Jelin pointed to colorful plastic, multipacked dinnerware sets for kitchen dining or picnicking as one look being offered at his chains. Even black houseware items have been moving out of the stores, he added.

Buyers from R. G. Branden's, the specialty houseware chain, Gold Circle and S. E. Nichols, all pointed to color in closet and plastic kitchen storage items.

Growth Area

Closet storage is a growth area, said Derek Dubin, a Gold Circle buyer. "The closet is the last room in the house the consumer hasn't done yet as far as decorating." He explained the items have always been durable and affordable, but now they have fashion appeal, too.

Dubin said he was looking for hard and soft closet goods like corrugated boxes, vinyl garment and shoe bags and hangars in matching design prints and neon colors.

Although retailers said it was too soon to pass judgment on new Eurostyle kitchen appliances, they were looking to bolster assortments in more established areas like microwave ovens, where they could take advantage of falling prices, and under-the-cabinet kitchen appliances. Buyers explained new manufacturer entries into the under-the-cabinet category will allow them to assemble unique mixes, softening price competition among the chains.

John Little, sr. vp, gmm at Rose's, said he is keeping a watchful eye on added appliance features like automatic shut-off irons, although he is not buying into the item at this point. Jerry Foreman, operating vp, hard lines, of Service Merchandise, said he is looking forward to lower microwave oven price points for his 1987 catalog.

The Wholesale Club's Parke said the European styled appliances are still fringe items, mostly unfamiliar to his consumers. He said he would add the items if they became a bigger factor in the market.

For now, Parke said he is content with current assortments, like the Sunbeam Oskar food processor.

Florals Freshen Spring Domestics

(Continued from page 30)
cot, peacock and aqua. He said the line reminded him of the Ralph Lauren line color palette offered by Stevens' upstairs Utica division.

Jeff Moss, business manager for Tastemaker towels, said Stevens developed the Consensus line to be priced at about $4.99 (for the bath towel) to compete with imports.

Fancy Towels Risky

Although Richway carries a few jacquards with proven track records, like the Ecstasy stripe from Cannon, the chain carries only one embellished towel, offered for the first time this season, from Dundee, priced at $4.99.

T.G. & Y. buyer Ken Shiplet is also wary of the fancy towel business. "We have tried several times to split off part of the business [from solid towels] and generate something extra, but historically, we have not done well," he said. The chain currently sells only one print towel, and is introducing a striped jacquard this month.

Shiplet said T.G. & Y., in its newer prototype stores, will also carry an embellished fingertip towel this spring, to retail under $3.

Ray Wysocki, senior merchandise manager at Zayre, said the chain has experimented with several of the jacquards in the market, but sales on these items taper off after two ads. "It's tough to coordinate those dark colors [that many jacquards sport] with the paint and wallpaper of many bathrooms in America," he said.

Discounters are also disappointed in sales of fashion kitchen textiles. "Kitchen ensembles is a mature category," T.G. & Y.'s Shiplet said. "Four years ago, there was a real explosion in the discount stores, and the product was selling so well, it earned itself a lot of space. Now, however, in less than half the space, we're generating equal to or superior volume in utility over fashion and [there are] a lot less markdowns there, too."

As a result, this spring T.G. & Y. will take about 2½ ft. away from the 17½ ft. fashion area and add it to the 5-ft. utility area.

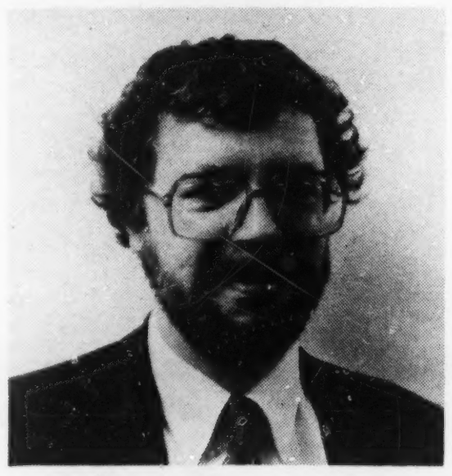
Shiplet said although he would stay with domestic resources for fashion ensembles because of the superior quality of the merchandise, Chinese imports like basic flat woven kitchen towels, are making a severe impact on the utility textile business.

At least one mill, however, has admitted imports are also making a traumatic dent in their fashion business. Moss of Stevens said the mill is discontinuing its printed kitchen textile accessories, using fashion designs only on dish towels.

In tabletop, like placements, Shiplet added, traditional colors like bone, slate blue and tearose will dominate this spring, although peach is also beginning to pick up sales.

However, the real tabletop textile story is in the shape, with pleated placemats in rectangular, oval and octagonal configurations supplementing the usual best-selling quilted items.

Groeneveld, Cohen Join *DSN* Staff



Benno Groeneveld

NEW YORK — Benno Groeneveld and Larry Cohen have joined the staff of *Discount Store News*.

Groeneveld, 38, an associate editor, freelanced as a U.S. correspondent for the Dutch media and Belgian National Radio, the last nine and a half years.

Groeneveld has an M.A. degree in English language and literature from the University of Amsterdam. He is married and has an 18-month-old son.

Cohen, 26, a desk editor, spent a year as a copy/layout editor for *The Daily Journal* in Elizabeth, N.J. Cohen has a B.A. in history from the University of Virginia, and is working on his master's in journalism/education through Syracuse University.

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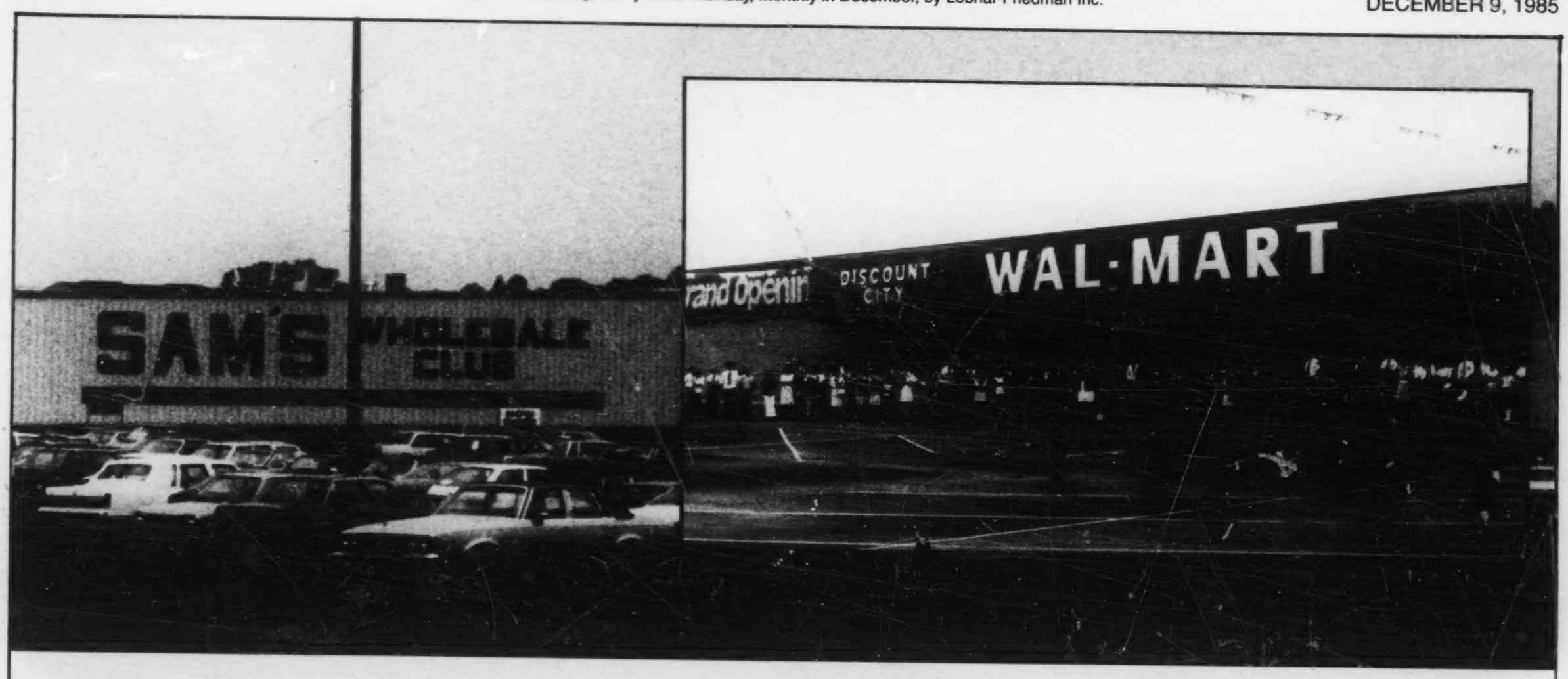
SPECIAL REPORT: WAL-MART

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 24, NO. 24 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | DECEMBER 9, 1985



Wal-Mart Rockets Past $8B Mark on Way to 1990

In 1985, the name Wal-Mart evokes images of a formidable $6 billion retailing phenomenon, led by a populist chairman committed to promoting American goods.

That's a long way from the company's humble beginnings in Sam Walton's single Ben Franklin variety store, doing $80,000 in sales in Newport, Ark., in the late 1940's. And it's even a far cry from when the company first went public 15 years ago, with 23 Wal-Mart's and 15 variety stores producing $44 million in sales.

Today, the Wal-Mart empire spans 22 states, with 834 discount stores, 23 membership warehouse clubs, two discount drug stores and a crafts store—and sales expected to hit $8 billion in the current year.

The Wal-Mart success formula has been built on a solid foundation of: tight control on expenses, which keeps prices sharp every day while allowing the chain to function on extremely tight gross margins; a strong operations support system that is keyed by the latest technology; a company culture—championed by a charismatic Walton—that stresses recognition of performance by everybody from stock clerks to front office executives; and by what one store associate called "a low R factor. There's very little resistance to change here."

But the bottom line on Wal-Mart's growth is its presentation to the consumer as it competes with a host of national and regional competition—everybody from other discount department stores to specialty retailers to drug chains and supermarkets.

In this special report, *Discount Store News* presents a look at the Wal-Mart juggernaut from several angles. First is a look at the company as a whole, which *DSN* projects will reach $22 billion in annual sales by 1990.

There is also an examination of Sam's Wholesale Club, the three-year-old membership warehouse chain that this year should generate more than $750 million in sales, on its way to becoming a major contributor to Wal-Mart's growth.

And there is a detailed look at what the Wal-Mart customer sees—the stores themselves—with analyses of 14 key departments, including results of a new consumer poll.

This is a snapshop of Wal-Mart, which has risen from that single store to become a dynamic leader in discount retailing.

Special Report: Wal-Mart

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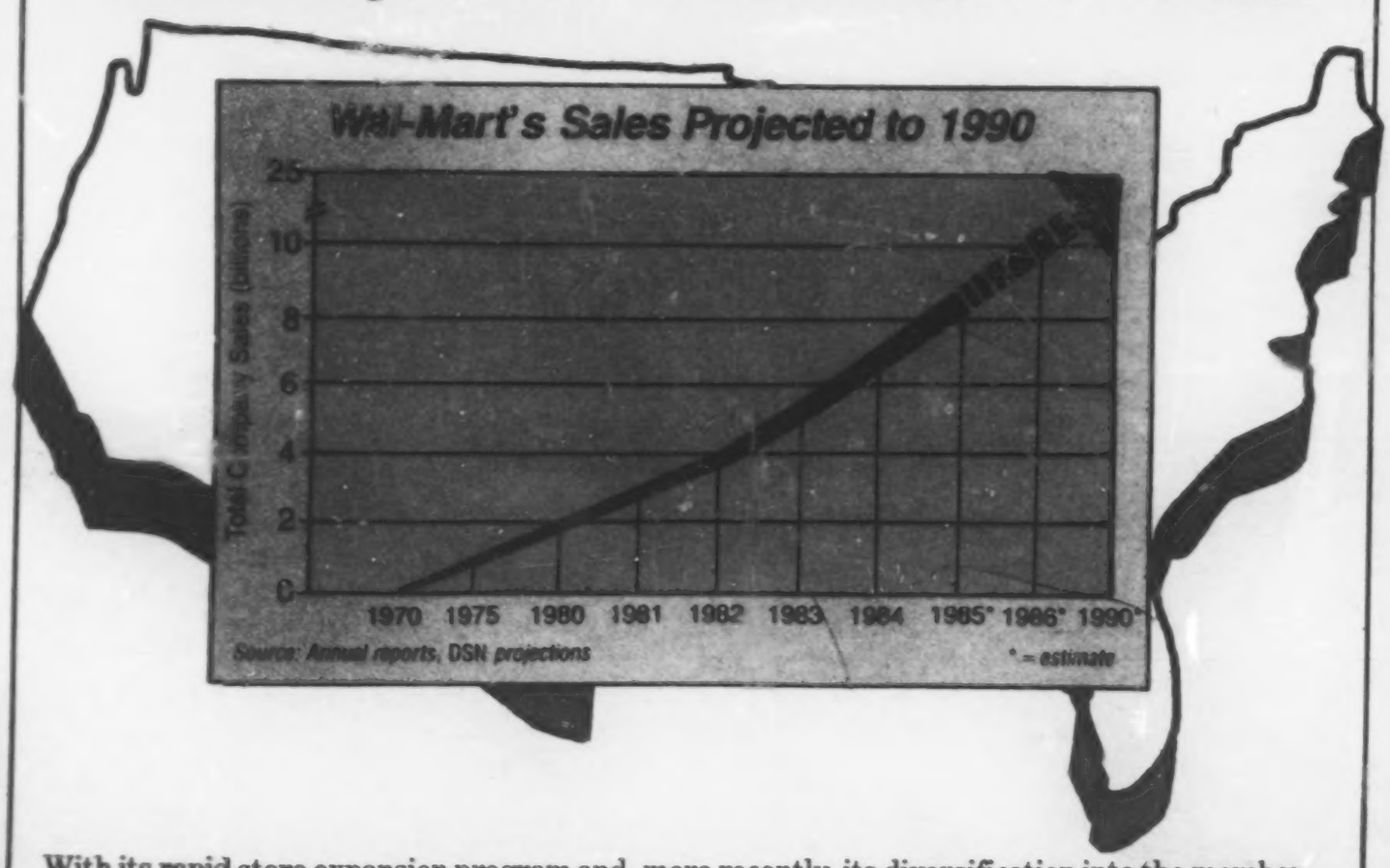
Sales Skyrocket: $22 Billion in 1990?



With its rapid store expansion program and, more recently, its diversification into the membership warehouse business, Wal-Mart is headed toward what *DSN* projects as a $22 billion year in 1990. Sales of $5.7 billion in the first three quarters of this year—a 31% jump over last year—should propel Wal-Mart to the $8 billion mark for the year. The increased expansion pace with Sam's Warehouse Clubs and Wal-Mart discount stores should move the company to $11 billion in sales next year—a far cry from the $44 million in 1970, Wal-Mart's first year as a public company.

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SCOA Buyers Plan Expansion for Hills

COLUMBUS, Ohio — The group preparing a buyout of Hills Department Stores parent SCOA intends to open 13 new stores next fiscal year and an additional 10 per year thereafter.

At the same time, the group intends to sell at least two of the company's divisions; the retail footwear operation and The Dry Goods, a seven-store family apparel chain. This sale is projected to raise $44 million of the $607 million needed to complete the leveraged buyout, according to the proxy statement sent to shareholders in advance of the Dec. 10 vote on the buyout.

The group anticipates 5% annual growth in comparable store sales from Hills. The chain accounted for over 80% of the company's sales and over 90% of its profits in the most recently completed fiscal year.

The proxy lists no potential buyers for the two divisions. However, Richard C. Gully, president of The Dry Goods, said executives of that operation are "definitely" considering organizing their own buyout of the chain.

The Dry Goods operates seven stores in southern New Jersey, Delaware and the Philadelphia area.

The footwear retailing operations include leased departments in discount stores (197 units at the end of the most recent fiscal year), leased operations in department stores (129 units), Gallenkamp full service specialty stores (254 units) and 47 By-Way self service shoe stores.

The proxy statement outlines plans to pay current stockholders per share, $30 cash and the equivalent of $5 in new shares.

The leveraged buyout is being prepared by a group of past and present SCOA executives. They include Herbert H. Goldberger, Hills' founder and retired head, and his son Stephen, the discounter's current president.

The $607 million total buyout package was put together by THL, a Boston-based firm specializing in leveraged buyouts. It is headed by Thomas H. Lee, a grandson of SCOA's founder and nephew of Herbert H. Schiff, current chairman and ceo.

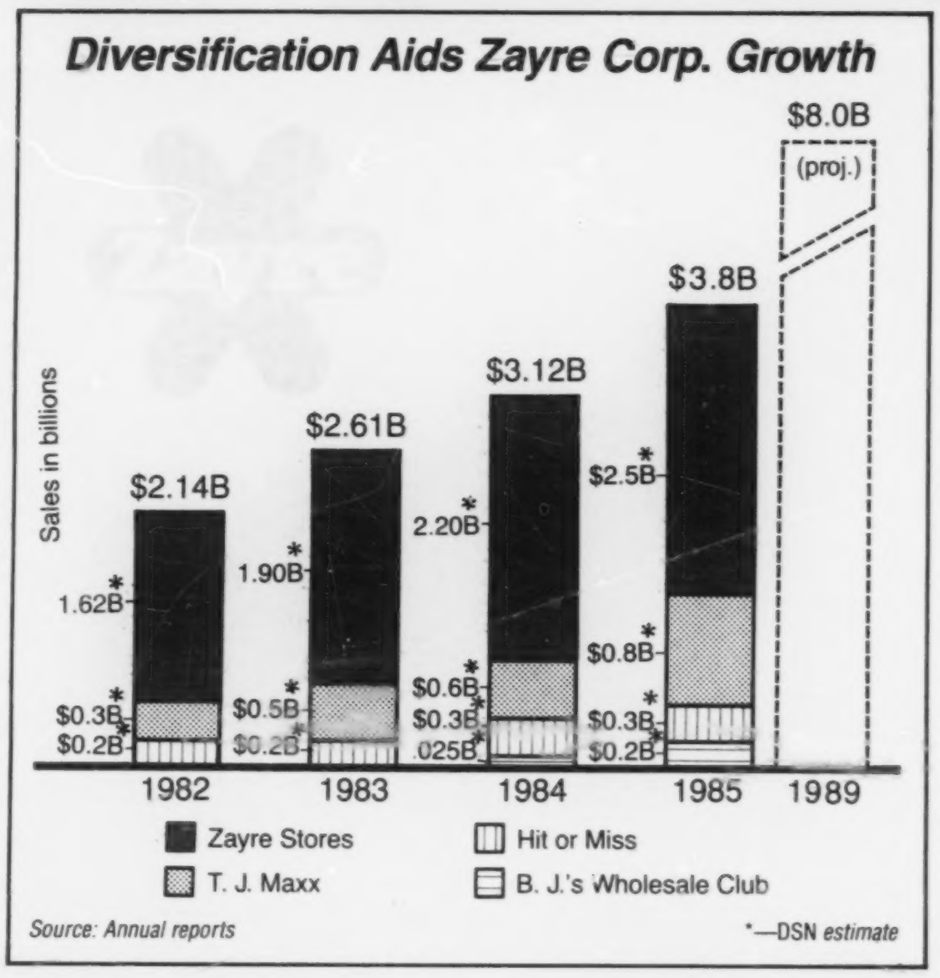
Several other executives have joined the group including George R. Friese, SCOA president, Larry Voelker, vice president finance and treasurer, Stephen A. Feldman, vice president controller and William K. Friend, secretary and corporate counsel.

Schiff, 68, SCOA's largest individual stockholder with 8.5% of the shares, is not part of the buyout group. The new managers said that they would retain him, and according to the proxy statement he would be entitled to $2.5 million in severance pay plus other pension benefits if he decided to leave after the buyout is completed.

According to the proxy statement, stockholders would receive "$30 in cash plus 0.20 of a share in Series B Preferred Stock for every share of common stock surrendered." The liquidation value of Series B stock would be $25, but they would be last in line for any pay-

(Continued on page 150)

Zayre Signals Diversification



HomeClub Acquisition Set

FULLERTON, Calif. — Zayre's acquisition of the HomeClub, a unique home center warehouse, is now just a formality.

Zayre's takeover is due to come at a special shareholders meeting due to be called in early January to act on the proposed $147 million stock deal.

Zayre has irrevocable proxies from owners of more than 55% of the HomeClub's 10.3 million share outstanding to vote their holdings at that meeting.

Additionally, the company's founders and two top executives, Robert J. McNulty, chairman, president and chief executive officer, and George J. Handgis, executive vice president-merchan-dising, have granted Zayre a similar option on their approximately 700,000 shares.

The deal calls for each HomeClub to be swapped for $14.25 of Zayre common. The exchange would have one HomeClub share converted into at least 0.2177 and no more than 0.2661 Zayre shares.

While Zayre doesn't have any expertise in lumber and building materials and other home center categories that are merchandised exclusively by the HomeClub, it is familiar with the membership warehouse concept through its BJ's Wholesale Club operation.

The basic membership ware-

(Continued on page 150)

HomeClub Latest Move to $8B By Decade's End

By ARTHUR MARKOWITZ

FRAMINGHAM, Mass. — Zayre Corp's impending acquisition of the HomeClub, the nation's only membership warehouse home center chain, is the latest signal that the $3.1 billion company is actively persuing—on a national scale—its diversification goal: To become at least an $8 billion retailing conglomerate by the end of the decade.

Maurice Segall, president and chief executive officer, said, "The acquisition of HomeClub is part of Zayre's long-term strategy to become a diversified, value-based chain store retailer."

The planned takeover of HomeClub through a $147 million stock deal follows Zayre's $1.9 million purchase of discounter Gaylords in April and its reported efforts to obtain at least two other retailers this summer. (Gaylords was folded into the Zayre discount chain.)

The HomeClub move marks the first time Zayre has entered a new retailing concept through an acquisition, rather than by starting its own operation. BJ's Wholesale Club, which marked the company's entry into the membership warehouse field, Hit or Miss, its first ladies' apparel specialty store chain and the T. J.Maxx off-price family clothing chain were all Zayre startups.

The HomeClub will also mark Zayre's national diversification as the 18-unit, do-it-yourself chain is headquartered in Fullerton, Calif., and operates in four western states: Calfornia, Washington, Colorado and Nevada, markets where there aren't any other Zayre operations.

(Continued on page 150)

Say HMI Buyers to Sell Most Divisions

CHICAGO — The management group proposing a leveraged buyout of Household Merchandising Inc. (HMI) from parent Household International plans to sell off all operations except a core group of 375 T.G. & Y. discount department stores to fund the $700 million plus deal, according to industry sources.

The sources say the buyout group, headed by West Coast-based Von s Supermarkets' chief executive officer Roger Stangeland, plans to raise half the purchase price by selling off Von s, reportedly to A & P; the Ben Franklin variety store and Coast to Coast hard lines specialty operations (both franchised businesses, to drug wholesaler FoxMeyer Corp.; and approximately 364 T.G. & Y. variety stores to McCrory's.

Stangeland and others associated with the deal have not returned repeated telephone calls for comment. Previously, they have insisted that the deal involves no sell-off of any divisions. "We intend to run all four subsidiary companies," Stangeland said when the deal was announced.

The sources said that, at presstime, the group was scrambling to come up with the remaining $350 million needed to fund the deal. The money reportedly would be produced by about $300 million in bank or other outside financing, contingent upon the group itself raising the remaining $50 million, less than 10% of the original purchase price.

Reportedly, the group is working under a Dec. 31 deadline for the sale imposed by Household International.

The T.G. & Y. buyout group is said to include Stangeland; FoxMeyer, based in Aurora, Colo.; at least a dozen executives of the four divisions of HMI; real estate developer Fritz Duda of Dallas; and the in-

(Continued on page 150)

IN BRIEF

• **AMES DEPARTMENT STORES** says it will have all 143 Murphy variety stores and 108 discount stores operating under the company's systems by Feb. 1, 1986, according to company chairman, Herbert Gilman. He also said Ames plans about 20 new stores and 20 store remodels in 1986.

• **BJ'S WHOLESALE CLUB,** the membership warehouse arm of Zayre Corp., plans to open at least 10 units in 1986, with sites in Rochester, N.Y., Cherry Hill, N.J., and North Miami (as its second in the Miami market) already set. Next month it will put the BJ's name on the three Chicago-area locations it acquired earlier this year when it purchased Metro Cash & Carry.

Catalog Showroom News:

Charter, George set Cooperative **P. 12A**

Discounter Management Development Series: **P. 140**

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Annual NMRI Report

Chains Rely on Training to Combat Pilferage

NEW YORK — Mass merchandisers and other retailers are increasingly turning to training programs, use of limited access areas and guards to battle losses from shoplifting and pilferage.

Last year shrinkage losses cost 168 mass merchants, department and specialty stores more than $1.9 billion, according to an annual survey of security and loss prevention conducted for the National Mass Retailing Institute (NMRI) by Arthur Young and Co., New York. The survey also found:

- shrinkage as a percentage of sales rose 6% in 1984 to 1.7%, from its 1983 level of 1.6%, and
- average shrinkage levels for mass merchandisers, 1.5%, and specialty stores, 1.6% remained constant last year from the year before, while department stores reported shrinkage of 2% for 1984, as compared to 1.8% for 1983.

Retailers attributed approximately 43% of their total shrinkage to employee theft, 30% to shoplifting, 23% to poor paperwork control and 4% to vendor theft. They also estimated 39% of employee thefts occur at the point-of-sale, and 19% on the selling floor.

The most common method of combating employee and consumer theft, used by 83% of those polled, is training programs. "Teaching employees the ABC's of loss prevention—from identifying shoplifters to knowing where inventory shortages frequently occur—is vital to today's retailers," said Stephanie Shern, co-chair of the National Retail Group at Arthur Young. Aside from training security personnel, more than three-quarters of the retailers surveyed conduct shrinkage awareness programs.

In addition, 77% of retailers have an established reward or recognition system for employees who help loss prevention. Among companies with these programs, 47% offer monetary awards to nonsecurity personnel for apprehensions, while only 8% award security personnel monetary awards. Almost half the companies, 48%, bestow nonmonetary recognition upon personnel for shrinkage control.

The study, covering responses from 78 mass merchants, 44 department stores and 46 specialty stores with combined 1984 sales of $124 billion, also highlighted other increasingly popular methods of containing shrinkage costs.

Retailers, for example, are relying more and more on high tech devices like point-of-sale systems (63%), visible TV monitors (51%), electronic tags (49%) and concealed TV monitors (46%).

In fact, although training programs, guards and the use of limited-access most frequently used methods of controlling shrinkage, the highest majority of retailers polled, 60%, cited electronic and magnetic tags as the most effective way of deterring theft.

Mirrors, reported in 1983 to be the most commonly used method of deterring theft, dropped to fourth place last year. However, they continue to be used by more than three-quarters of retailers polled, although only 2% said they are the most effective methods. Retailers explained that mirrors are the least expensive method of controlling shrinkage, and store employees and shoppers perceive them to be effective controls. Fitting room attendants, employed by 44% of retailers polled, were thought most effective by only 1%.

How Chains Are Fighting Shrinkage

Devices used to control shrinkage		Devices judged to be most effective	
Training programs	83%	Electronic/magnetic tags	60%
Guards/detectives	81	Training programs	28
Limited-access areas	81	Guards/detectives	26
Mirrors	77	Limited-access areas	8
Lock and chain devices	71	Point-of-sale systems	8
Point-of-sale systems	63	Observation booths	7
Visible TV monitors	51	Concealed TV monitors	7
Electronic tags	49	Other	4
Observation booths	46	Lock-and-chain devices	2
Concealed TV monitors	46	Mirrors	2
Fitting-room attendants	44	Visible TV monitors	2
Other	6	Fitting-room attendants	1

Source: Arthur Young/NMRI Seventh Annual Study of Security and Shrinkage

K mart Launches 1st Gift Certificate Offer

TROY, Mich. — K mart has launched its first chainwide gift certificate program, which allows individual shoppers as well as corporations and other organizations to purchase certificates in denominations up to $100.

"Several businesses which offered to buy gift certificates—added to continuing consumer requests—were the catalysts for K mart to move ahead with the program," commented K mart chairman Bernard M. Fauber.

With the program's start, K mart joins other discounters like Bradlees, Hills and Caldor, which already make gift certificates available to consumers.

K mart shoppers can buy the $5, $10 and $25 certificates at the service desk of any K mart store. Certificates for $50 or $100 are available from K mart International Headquarters.

Profit and nonprofit organizations with multiple orders can also order through K mart headquarters.

K mart kicked off the new program, in time for holiday shopping, with a direct mailing to corporations and other organizations and an ad in its first October roto preprint program. The chain will advertise the gift certificate program about once a week in chain circulars through Christmas, and is supporting it through in-store signing.

The spokesman added that the program will continue year-round, and will be backed with circulars on a regular basis.

First Three Quarters Bring Mixed Sales and Earnings

Nationwide DSN *Roundup*

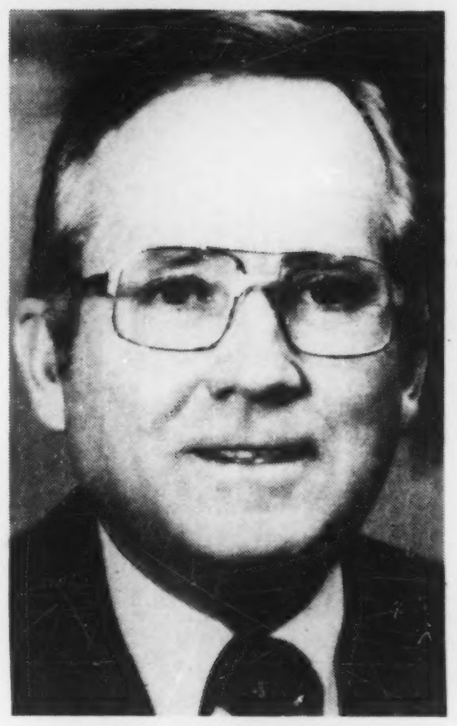
The top discount chains reported mixed sales and earnings results for the third quarter and first three quarters of 1985.

■ **K mart** suffered a 16% drop in earnings for the third quarter ended Oct. 30, primarily because of weak sales and lower profit margins. Bernard K. Fauber, company chairman, commented: "Cautious consumer spending has delayed normal pick-up in holiday and winter sales. However, we anticipate an improvement in the pace of sales as we get closer to Christmas."

Net income for the quarter was $77.4 million, down from $92.4 million the year before. Sales for the quarter were $5.2 billion, a 4.6% increase over same period sales the year before of $5 billion.

Year-to-date net earnings dropped 28.5% to $210.7 million from $294.8 million the year before. Same period sales were up 10.2% to $15.7 billion, from $14.2 billion in 1984.

■ **Target,** the discount store division of Dayton Hudson, reported that sales for the 13 weeks Nov. 2 rose 9.3% to $907,600 as compared to same period sales a year ago of $830,630.



Bernard Fauber

The **Mervyn's** division of Dayton Hudson experienced a sharper sales gain, 21.4%, with sales reaching $607,865 for the quarter, up from $500,869 the year before.

As a whole, Dayton Hudson's earnings for the third quarter jumped 30.6% to $56.9 million, up from $43.2 million for the same period in 1984. Third-quarter sales for the corporation were up 11% to $2.1 billion, as compared to sales of $1.9 billion in 1984.

■ **Wal-Mart Stores Inc.** reported third-quarter net income of $70.9 million, a 21% increase over income of $58.8 for the period last year.

Sales for the quarter were $2,087.5 million compared with $1,583.6 million in 1984. For the nine months, sales were $5,677.6 million, up from $4,326.9 million for the period in 1984.

The company operated 834 Wal-Mart and 19 Sam's Wholesale Clubs at the end of the third quarter, Oct. 31, 1985, in contrast to 726 Wal-Mart and seven Sam's stores at the end of the third quarter last year.

■ **Ames** reported third-quarter sales of $445 million, a jump of 117% from $205 million last year. G. C. Murphy was responsible for $194.9 million of the sales gain ($240).

Net income for Ames during the third quarter was up 42.7% to $10.7 million from $7.5 million in 1984. For the nine months, sales were $978.2 million compared to $562.5 million for the comparable period last year, a jump of 73.9%.

At the end of the third quarter there were 108 discount and 153 variety stores in operation under the G. C. Murphy name. During the second quarter of this year there were 118 discount and 161 variety stores.

(Continued on page 150)

Discount Store News QUIZ

The *DSN* Quiz, testing your knowledge of news and trends in discount retailing covered in the previous two issues, will appear on this page monthly. Check your answers with the key on p. 150.

1. By the end of the decade, the membership warehouse club throng will expand to:
a) 1,000 stores and over $50 billion in business;
b) 2,000 stores and over $100 billion in business;
c) overseas markets.

2. K mart will be shuttering:
a) Readers Market;
b) Accents;
c) Waldenbooks.

3. Gold Circle's decision to pull out of Pittsburgh this January was caused by:
a) inclement weather;
b) increased competitive pressures in the market;
c) disappointing sales and an inability to find suitable sites for expansion.

4. Popples, Jem and Fluppy are:
a) children's breakfast cereals;
b) new toy licenses for 1986;
c) out of work munchkins.

5. New growth strategies employed by housewares buyers next year will include:
a) between meal snacks;
b) deeper assortments of under-the-cabinet electric appliances;
c) holding down advertising costs.

6. What has Caldor committed $5 million to $6 million for?
a) expansion of its distribution network;
b) its first ever TV ad campaign;
c) a customers' sweepstakes.

7. Pic 'n' Save founder and former chairman William Zimmerman has acquired half interest in:
a) Odd Lot Trading;
b) Pay 'n Save;
c) fine wines.

8. Best Products will debut in metropolitan New York next year with:
a) an Ashby's ladies wear store;
b) five new catalog showrooms;
c) a revival of "Cat On A Hot Tin Roof."

9. Next year, discount store domestic departments will see a lot of:
a) florals, watercolors and midtone shades;
b) still life and pointillism prints;
c) lions and tigers and bears.

10. Overall, the growth in maternity sales has been spurred by:
a) men;
b) more fashionable assortments;
c) demographics.

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Vol. 24, No. 24 Dec. 9, 1985

Balance Sheet Data For Fiscal Year Ended Feb. 2, 1985

Balance Sheet Data	K mart (millions)	%	F. W. Woolworth (millions)	%	Household Merchandising[a] (millions)	%	Zayre[b] (millions)	%	Toys "R" Us (millions)	%
Cash and Equivalent	$ 492.0	5.3	$ 119.0	5.1	$ 1.5	0.1	$ 70.3	6.3	$ 215.3	19.6
Trade Receivables—Net	179.0	1.9	—	—	96.2	6.6	9.0	0.8	23.4	2.1
Inventories	4,587.8	49.5	1,108.0	47.9	775.3	53.5	602.9	54.4	397.9	36.2
Other Current Assets	52.0	0.6	108.0	4.7	63.2	4.4	15.5	1.4	2.0	0.2
Total Current Assets	5,310.8	57.3	1,335.0	57.7	936.2	64.6	697.7	62.9	638.6	58.1
Property and Equipment—Net	3,338.3	36.1	867.0	37.6	467.8	32.2	380.3	34.3	431.6	39.3
Investments	392.3	4.2	—	—	—	—	—	—	—	—
Other Noncurrent Assets	219.9	2.4	109.0	4.7	46.5	3.2	30.7	2.8	28.3	2.6
Total Noncurrent Assets	3,950.5	42.7	976.0	42.3	514.3	35.4	411.0	37.1	459.9	41.9
Total Assets	9,261.8	100.0	2,311.0	100.0	1,450.5	100.0	1,108.7	100.0	1,098.5	100.0
Borrowings Due in One Year	310.9	3.4	50.0	2.2	14.2	1.0	10.9	1.0	22.2	2.0
Accounts Payable	1,916.9	20.7	375.0	16.2	478.6	33.0	193.8	17.5	250.1	22.8
Accrued Income Taxes	98.8	1.1	24.0	1.0	—	—	26.9	2.4	44.2	4.0
Deferred Income Taxes	—	—	—	—	—	—	13.2	1.2	—	—
Other Current Liabilities	562.5	6.1	283.0	12.2	151.8	10.5	136.2	12.3	100.5	9.2
Total Current Liabilities	2,889.1	31.3	732.0	31.6	644.6	44.5	381.0	34.4	417.0	38.0
Senior Long-Term Debt	918.6	9.9	250.0	10.8	101.7	7.0	88.8	8.0	65.1	5.9
Capital Lease Obligations	1,780.1	19.2	122.0	5.3	113.9	7.8	70.4	6.3	20.9	1.9
Reserves and Other Liabilities	251.9	2.7	156.0	6.8	25.4	1.8	42.0	3.8	16.4	1.5
Subordinated Long-Term Debt	188.3	2.0	—	—	—	—	58.4	5.3	—	—
Total Liabilities	6,028.0	65.1	1,260.0	54.5	885.6	61.1	640.8	57.8	519.4	47.3
Stockholders Equity	3,233.8	34.9	1,051.0	45.5	564.9	38.9	468.1	42.2	579.1	52.7
Total Debt and Equity	9,261.8	100.0	2,311.0	100.0	1,450.5	100.0	1,108.7	100.0	1,098.5	100.0

[a]Balance sheet and operating data for fiscal year ended Dec. 31, 1984. [b]Balance sheet and operating data for fiscal year ended Jan. 26, 1985. Source: Harris Bank Retail Study

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Harris: Moderate Growth

CHICAGO — Retail sales can be expected to increase at a moderate pace through 1986 with real annual increases of 3%-4%, providing the economy continues on its current path toward higher employment, low inflation and increased economic growth, according to the 32nd annual Harris Bank Retail Study.

Already, retailers have reported only moderate sales growth for the first half of 1985, in part monitoring the economy's overall growth, and in part from abnormally cold weather and delays in income tax refunds, stated the report.

Also playing a role in retailers' profitability were excess inventories which lingered from late 1984 into the first few months of 1985, and which continued to squeeze gross profit margins. However, as promotional activity eases, as it now shows signs of doing, gross margins will improve, the report said.

These first half results continue a pattern set last year. Although for the entire year retail sales jumped 10.5% to $1.3 trillion, growth during the second half of 1984 had slowed to a 4% rate.

Mass merchandisers as a group, experienced similar growth patterns last year. The aggregate sales volume of seven mass merchandisers monitored by the Harris Bank increased 7% in 1984 to almost $78.8 billion. The companies are Sears, Roebuck & Co.; K mart; J. C. Penney; F. W. Woolworth; Montgomery Ward; Household Merchandising (parent company of T.G. & Y.) and Zayre.

As in retail outlets industrywide, spending at mass merchandise chains picked up even more over 1983 during the first half of 1984, as consumer confidence rose along with economic growth. Spending quickly tapered off, however, in the second half, leaving mass merchandisers with heavy inventories, burning a path for a fiercely competitive promotional environment.

Nevertheless, according to the report, mass merchandisers finished the second half with improved sales growth, primarily from volume increases rather than new store openings or high inflation. Additionally, 6 of the 7 firms studies also experienced a slight improvement in gross margins.

All mass merchandisers surveyed benefited from LIFO credits, which made a large contribution to their gross margins. As a result of the continued low rate of inflation, the aggregate LIFO reserve for these companies declined over 12.4%.

Also supporting modest growth are operating strategies begun earlier in the 1980's which are being carried into the latter half of the decade, according to the report.

For one, mass merchandisers have turned to technology to reduce transaction time and cost. Many chains are now investing in computerized checkout and scanning systems.

Also, chains are adding services to strengthen customer loyalty and broaden their customer base. These services include providing limited financial services, installing automatic teller machines, in-house credit arrangements and adding check cashing services.

SPECIAL REPORT SPECIAL **WAL-MART: THE COMPANY** REPORT SPECIAL REPORT

An Evaluative Comparison: Will the Good Times Last?

By JOSHUA A. POLAN
Partner,
Director, Retail Services
Touche Ross & Co.

Anyone who has had anything to do with retailing in the recent past must have heard of Wal-Mart's fabulous success. But is that success a short-term phenomenon or will it withstand the test of time? Has Wal-Mart built something which will endure the vagrancies of our economy or has it sacrificed a solid foundation for short-term results?

Evaluation can't be done in a vacuum; thus, we have compared Wal-Mart to K mart and Zayre for several reasons:

1. Their market focus is toward the value conscious consumer.

2. Each has achieved a critical mass in terms of market penetration. Sales for 1984 were $21.1, $6.4 and $3.1 billion for K mart, Wal-Mart and Zayre.

3. The companies are each in a different stage of the corporate life cycle; K mart being the most mature, Zayre having an outstanding record of growth but only for the last four years and Wal-Mart, whose compounded growth rate has been 38.5% in sales and 52.4% in profitability for the past 10 years.

Recent store growth statistics clearly indicate the direction in which the companies are heading. The following graph depicts annual percentage growth in store units over the base as of Jan. 31, 1981.

Comparative Statistics: Wal-Mart, K mart, Zayre

	Fiscal 1985			Fiscal 1984		
	Wal-Mart	K mart	Zayre	Wal-Mart	K mart	Zayre[1]
Net sales (millions)	$6,401	$21,096	$3,123	$4,667	$18,598	$2,614
Net income (millions)	$271	$499	$80	$196	$492	$61
Per cent of sales	4.2%	2.4%	2.6%	4.2%	2.6%	2.4%
Net income per share	$1.91	$3.84	$3.99	$1.40	$3.80	$3.19
Stock price[2]	$46.88	$33.50	$61.50	$35.50	$29.00	$33.08
Stock price/net income	24.5	8.7	15.4	25.4	7.6	10.4
Book value at year end	$7.02	$25.87	$23.66	$5.27	$23.35	$20.02
Stock price/book value	6.7	1.3	2.6	6.7	1.2	1.7
Current ratio	1.9	1.8	1.8	2.0	1.9	1.9
Sales/inventory[3]	6.1	4.6	5.4	6.2	4.7	5.6
Debt/equity	0.5	0.9	0.5	0.5	0.9	0.5
Return on assets[4]	14.0%	5.7%	8.0%	13.8%	6.3%	7.4%
Return on equity[4]	31.4%	16.2%	18.6%	32.0%	17.8%	17.8%
Dividends per share	0.21	1.24	0.39	0.14	1.08	0.27
Dividends/net income	9.1%	32.3%	9.8%	10.0%	28.4%	8.5%

[1]Appropriate numbers adjusted to reflect 10% stock dividend in fiscal 1985.
[2]At April 30 after year-end earnings announcement.
[3]Based on average FIFO inventory.
[4]Based on average assets and equity.

Source: Touche Ross

Zayre's discount-store division has increased marginally, while its off-price units have increased almost 100% over the same period. K mart's number of general merchandise store units has been flat; specialty retailing units have increased almost six-fold, primarily due to the acquisition of Waldenbooks and PayLess Drug Stores.

Wal-Mart's store units have increased about 130% over a base as of Jan. 31, 1981.

Retailers love to boast of their sales increases but it's comparable store sales increases which have the most positive impact on pretax earnings. Free of preopening coasts, and with smaller incremental growth in distribution, selling and advertising expenses, these increases in productivity mean that a large portion of the added gross margin goes to the bottom line.

Wal-Mart has had consecutive annual comparable store sales increases (CPI) of 15%. The CPI increased only 7.5% cumulatively over that period; thus its real sales gains were impressive.

Zayre's increases were in excess of 10% for its discount department stores, but only 6% and 5% for their off-price units.

K mart doesn't disclose CPI figures. Although it discloses sales per square foot and related annual increases, the calculation is distorted because the numerator (sales) includes sales of all stores for the year, while the denominator (sq. ft.) includes only stores open for a full year.

How much of a store's sales reaches the bottom line is a measure of productivity. Differences in the classification of expenses as well as the mix of business renders unfruitful a line-by-line expense ratio comparison for the companies. Nonetheless, the trends tell a story.

Examination of cost of sales plus selling, general and administrative expenses expressed as a percentage of sales indicate Wal-Mart, at 92.3%, is the leader. It has the most dollars available for those who have invested in its business, the creditors (interest) and the shareholders (dividends). In addition, over the last five years, it has been able to reduce the barometer from 93.7%.

Zayre has shown the largest improvement, from 96.4% to 94.4%. K mart also has improved, from 96.7% to 95.9%. But it has been inconsistent. Results for 1981 and 1982 were worse than for 1980 and 1984 was worse than 1983.

K mart is the most highly leveraged of the companies due significantly to the impact of capitalized leases. Interest expense for both Wal-Mart and Zayre were less than 1% of sales in 1984. Zayre has significantly reduced the impact of debt on operation over the last five years; Wal-Mart and K mart have seen little change.

As previously mentioned, Wal-Mart's growth in profitability was 52.4% compounded for the last 10 years. Zayre had modest growth in 1981 but net income has increased $13, $26.3 and $18.9 million in fiscal years 1982, 1983 and 1984, respectively. K mart did well overall, increasing net income from $251 million in 1980 to $499 million in 1984. Doubling of net income in a four-year period is an exemplary performance. However, K mart was erratic. Earnings were down in 1981 and flat in 1984 (see chart at right).

Comparison of various balance sheet indicators shows consistent results for all three. The current ratio as of the end of 1984 was 1.8:1 for both K mart and Zayre. Wal-Mart was 1.9:1, an insignificant differential. Inventory as a percentage of working capital was 190% for both K mart and Zayre and 180% for Wal-Mart. Clearly, there is very little difference in the way these companies configure the asset side of their balance sheets.

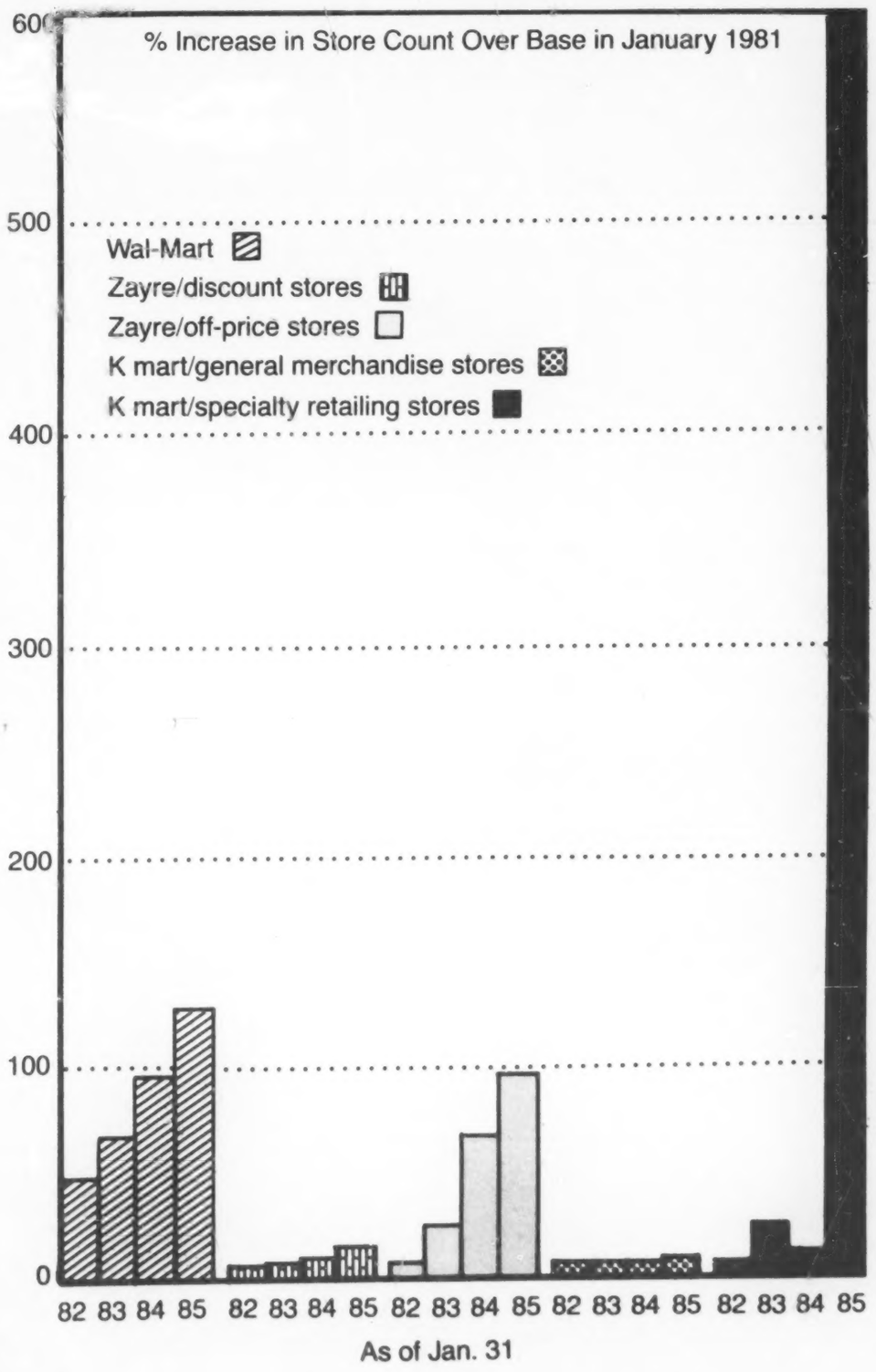
Zayre and Wal-Mart both have debt-(including capital leases)-to-equity ratios of less than 0.5:1. Zayre has reduced this from 1.3:1 at the end of 1981; Wal-Mart reduced its from 0.7:1. Each company has chosen the conservative path of using internally generated cash flow to reduce their debt leverage.

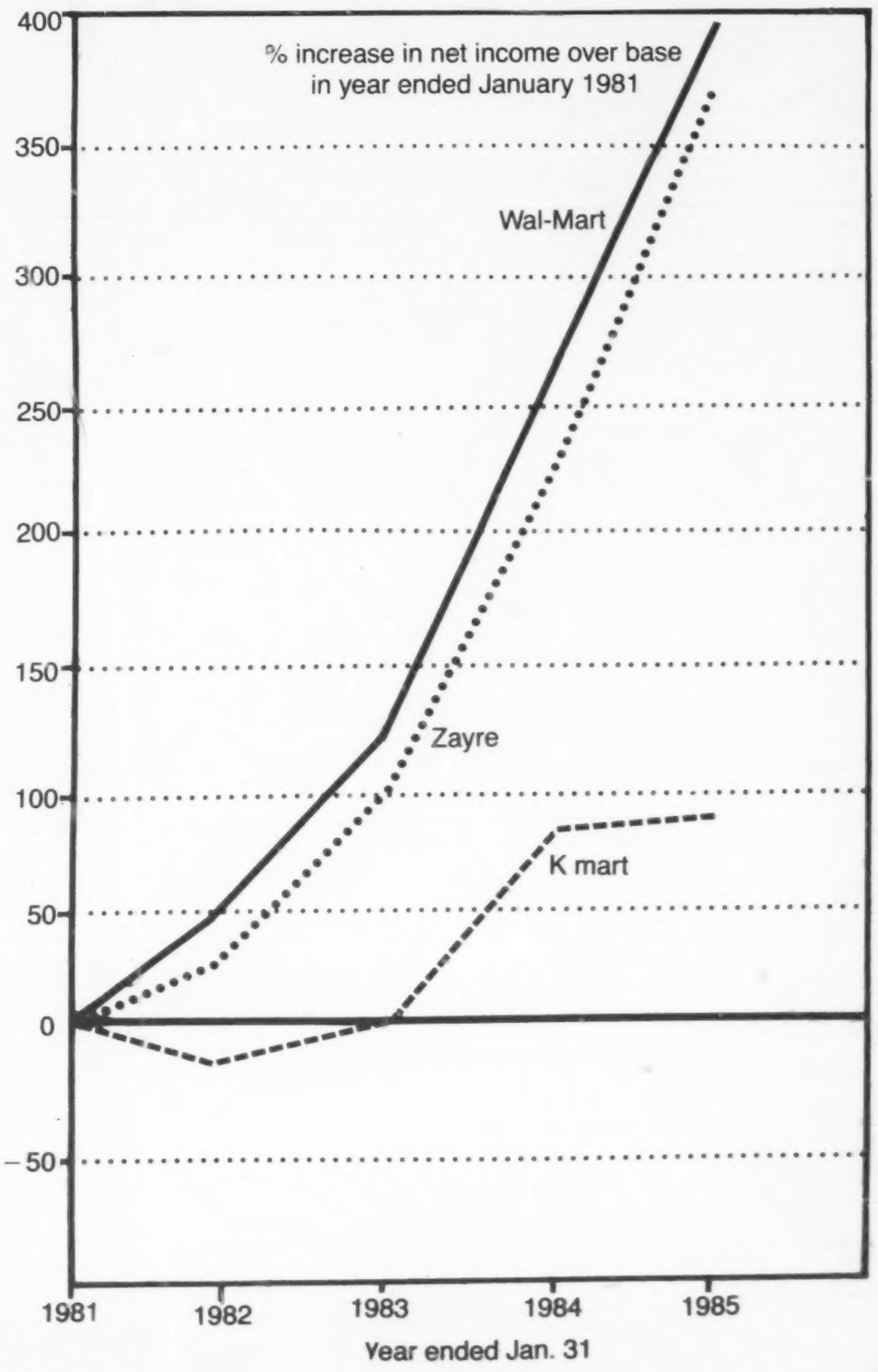
K mart had a less conservative debt-to-equity ratio of 0.9:1. This is consistent with its results since the end of 1980. K mart needs more leverage to finance first, new store openings and now, acquisitions because it needs more sales than its two competitors to generate similar profit levels.

As the table indicates, Wal-Mart's productivity is far better than its two competitors when measured by return on average assets and equity.

The dividend payout ratio—dividends as a percentage of income—reflects each chain's position in the corporate life cycle. Wal-Mart and

(Continued on page 124)





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SPECIAL **WAL-MART/MERCHANDISING** REPORT

A Look at Peak and Valley Price Points

Wal-Mart traditionally features higher-priced name brand items in its "action alleys," which help keep turns high and enables the chain to capitalize on opportunistic buys. The discounter often augments its "power" selections with lower-priced commodities like paper products and motor oil, using them as aisle lead-ins. These peak and valley price points were seen in a St. Louis store race track this summer. Litton's Quick 'n' Easy microwave oven, featured for $258, was displayed directly across from a platform of plastic kitchen dish caddies, for $2 each. In another aisle in the same store, Marathon treadmills, for $446.93, were merchandised back-to-back with Ruffies tall kitchen garbage bags.

"Gimme an 'S'...
...gimme an 'A'...
...gimme an 'M'..."

Three cheers for Sam Walton and his singular success with Wal-Mart stores.

BASF

Chrome Audio and Video Tapes. The Quality Never Fades.

Good Times

(Continued from page 41)

Zayre are in the 10% area. They believe they can earn higher return for investors by reinvesting earnings rather than by distributing them to their investors. K mart pays out three times that amount as it searches for a vehicle to substantially improve profitability.

How do investors view the companies?

Wal-Mart commands a 25 price/earnings multiple; usually high for a retailer.

Zayre's multiple increased handsomely from 10 in April 1984 to 15 in April 1985 as investors developed greater confidence in management's ability to demonstrate outstanding performance. At this writing, Zayre's PE ratio had continued to 17.

K mart's ratio has moved from eight in April 1984 to nine in April 1985 and 10 in October 1985.

First Three Quarters Bring Mixed Results

(Continued from page 4)

■ **T.G. & Y.** reported third-quarter sales of $423.9 million compared to $496.1 million, a decrease of 14.6% for the discount chain.

T.G. & Y. had an operating loss for the quarter of $8.9 million, compared to a loss of $1.2 million for the period in 1984.

Sales and earnings were generated by 729 stores in the just-completed quarter and 756 stores last year.

■ The **Zayre** Stores division of Zayre Corp. reported sales for the third quarter ended Oct. 26, rose 20.1% to $635.2 million, up from $528.9 million for the same period last year. Operating income increased 9.8% to $31.5 million, up from $28.7 million for the third quarter of 1984.

■ **Venture** reported a 13% increase in third-quarter sales to $244.3 million from $215.4 million last year. For the 39 weeks, sales were $699.3 million, a 15.1% rise from $607.7 million for the comparable period last year.

■ **Associated Dry Goods** reported a 7.8% increase in sales for subsidiaries **Caldor** and **Loehman's** for the third quarter. Sales of $396.2 million were reported compared to $367.6 million in 1984.

Year-to-date sales to the two chains were up 8.9% to $1.14 billion from $1.04 billion during the comparable period last year. These sales were generated by 106 Caldor and 79 Loehman's stores this year, compared to 101 Caldor and 73 Loehman's last year.

Pickwick, Reader's Market To Limit Further Expansion

(Continued from page 5)

margins—can we make it on that kind of deep discounting?"

Coupled with that, Hoffman acknowledges the strain new strategies by his own Waldenbooks and by B. Dalton might put upon full discount bookstores. "What will happen to discounting if the major chains are getting more involved in discounting?" he asked.

The 932-store Waldenbooks, which offers 25% discounts on best sellers chainwide, increased that discount to 35% in 13 competitive markets, including Los Angeles, New York, Dallas, Houston and some Denver stores, Hoffman said.

The 746-store B. Dalton chain recently began discounting books appearing on *The New York Times* hardcover best seller list by 25% to 35% off the cover price. It is broadening its bargain-book offering, has scheduled nine nationally advertised book sales next year and is testing 25% discounts on up to two dozen backlist titles. In the past, B. Dalton had experimented with discounts on *The Times* best sellers in markets where it went head to head with Crown Books.

While intensified discounting programs at the two full-price chains have given Pickwick reason to pause, Ford said the chain is not considering any changes in format. "I don't think we have to. Our discounts are as deep as they can be," he said. "We still exceed [the full-pricers] in all discounts."

The chain discounts the top 10 fiction and nonfiction *The Times* best sellers, both hardcover and paperback, by 30% to 40%. All other selections are discounted by at least 10%.

38-store count.

Hoffman said he, too, would use the early part of 1986 to evaluate RM's format, although he could not pinpoint which areas needed adjustment. Regardless of eventual changes, though, RM would remain a discounter. "It may be a different type of formula, but we would have to stay with some kind of deep discounting," he said.

Even after the RM stores were launched a year ago, in former Waldenbooks locations, management continued to work on forging a strong identity for the chain. Tags were added to each individual book with its discounted price to emphasize savings, a feature adopted from the competition. Stackouts were removed from the selling floor, and remainders were stocked on walls instead of on stack tables.

Unlike its strictly self-service competition, RM offered special services, including catalog back orders, gift certificates and a liberal return policy. "I thought we had done a really good job in design and merchandise mix," Hoffman said.

Correction

Due to a production error, the chart listing results for seven top membership warehouse clubs was in error. The correction version appears here in its entirety.

Seven Top Warehouse Clubs Compared

Company	Sales last completed fiscal year (millions)	Income last completed fiscal year (millions)	Projected Store Count as of Dec. 31, 1985	Projected Openings 1986
Price Club	$1,834.0	$46.0	25	10
Costco	366.4	(5.7)	21	12
Sam's Wholesale Club	225.0[a]	8.5[b]	23	25
PACE	76.1	0.6	16	15
Wholesale Club	46.1	(1.6)	5	5
Warehouse Club[c]	26.0	(1.3)	7	9
BJ's Wholesale Club	25.0[a]	N.A.	8	10

[a]*DSN* estimate. [b]Estimated operating income. [c]Fiscal year ended Sept. 30, 1984.
( )—Loss. N.A.—Not available.

Source: Company financial reports

Zayre Signals Diversification

(Continued from page 3)

The HomeClub acquisition will be an inexpensive stock deal that won't impact upon Zayre's status as a cash-rich retailer that also has a large pool of unissued shares available to fund its diversification.

In its last completed fiscal year, Zayre had $30.3 million in cash, along with $40 million in marketable securities. It also had about 20 million unissued shares.

(In April, Zayre shared some of this wealth with its shareholders when it declared a four-for-three stock split and boosted its quarterly cash dividend from 10¢ per share to 12¢ a share.)

In a presentation to the New York Society of Security Analysts two months ago, Segall said that Zayre's sales by calendar 1989 should exceed $8 billion through the growth of its current operations. His projection didn't include diversifications such as the HomeClub acquisition.

When HomeClub is acquired next month, Zayre will gain its second membership warehouse-type chain. BJ's is a more typical food and general merchandise membership warehouse, already targeted for rapid expansion from its current eight-store base during the next few years.

Zayre will retain HomeClub's management and its Fullerton, Calif., base of operation. The company's top executives include its two founders, Robert J. McNulty, chairman, president and chief executive officer, and George J. Handgis, executive vice president merchandising. Almost all the other key officers have worked for other home center chains or for FedMart, the now defunct West Coast discounter.

In HomeClub, Zayre will acquire a specialty membership warehouse chain whose short history of operations has shown only limited profitability. Its future success was dependent upon its raising funds to fuel expansion, particularly into key West Coast markets that don't currently have any home centers.

Arthur F. Loewy, Zayre's executive vice president, finances, said, "once HomeClub is a part of Zayre, the company will be funded for its capital needs just like any other Zayre operation."

Zayre's acquisition follows HomeClub's earlier efforts to fuel its growth through a stock offering in October. In that partially successful effort, HomeClub raised $16.7 million by selling two million shares at $9 each. That price, however, was markedly lower than the $14 to $16 per share anticipated when the preliminary prospectus was issued in August.

HomeClub executives earlier this summer had expected that as much as $30 million would be raised through a public offering. Private placements and the company's own internally generated funds prior to the public offering had provided about $34.2 million in funds.

The Zayre acquisition is due to be made at the $14-plus price HomeClub had originally hoped its stock would go for. "Obviously, our evaluation is that they are worth more than the initial offering prices. We think they are worth $14.25," said Loewy.

When HomeClub went public, security analysts attributed the low price of its initial stock offerings to the poor sales and earnings performance of a number of other home center chains. Additionally, HomeClub's core California market had recently been invaded by a few other home centers, including industry's leader, Home Depot.

Following the initial offering, HomeClub's stock showed a moderate increase in its price on the over-the-counter market, and when the proposed acquisition by Zayre was announced, it shot up to the $13 range.

HomeClub, in its first full year of operation ended Jan. 27, has $68.2 million in sales from six stores, along with a net loss of $1.8 million. (Its initial six-months business from two stores showed $10 million in sales and a $547,000 net loss.)

In the six months ended July 28, when there were nine stores, volume hit $90.5 million, a 313% jump from $21.9 million in the same period last year. Net income amounted to $1.7 million compared to a $727,000 loss.

The HomeClub has opened nine more warehouses since July and projects 15 to 18 stores in 1986.

The company's half-year performance, including its first profits, were due to the greater number of warehouses and the resulting higher sales which resulted in greater operational efficiencies, according to the final prospectus.

Gross margins in the six months dropped slightly, to 20.9% from 21.9%, due to the cost of opening more warehouses and "the company's decision to reduce prices as part of its strategy to maintain and build market share," the prospectus stated.

Expenses went down markedly during the six months. Selling and warehouse operation costs dropped from 18.5% to 13.8%, while general and administrative expenses declined from 3.7% to 3.1%.

T.G. & Y.

(Continued from page 3)

vestment firm Donaldson, Lufkin & Jenrette.

HMI includes 739 T.G. & Y. stores, 176 Von's supermarkets, more than 1,600 Ben Franklin franchised stores and nearly 1,100 franchised Coast to Coast stores. The division last year had sales of $5.4 billion coming from Von's and about $2.2 billion from T.G. & Y. Its net income was $49.6 billion.

HomeClub Acquisition Formality

(Continued from page 3)

house idea calls for high volume stores offering sharp prices on a limited mix of fast-turning low-margin items.

Like other membership warehouses, the HomeClub has different fees for different types of members: The basic fee for individuals and businesses is $15 per year, with members' spouses paying $5. Fees for contractors and designated groups like credit unions, Government employees and other associations is $10.

Unlike other membership warehouses, however, the HomeClub is open to the general public, with nonmembers paying 5% above the wholesale price charged members.

Members accounted for about 80% of HomeClub's volume, according to the prospectus issued when the company went public two months ago.

The public offering was seen as the most productive way to obtain the funds for the company's continued expansion: Three warehouses projected for the last quarter of the year (bringing store count to 18) and another 15 to 18 units projected for 1986, would require an overall expenditure of $37.8 million to $46.1 million.

The $16.7 million raised from the public offering, plus projected internally generated funds, resulted in the company "anticipat[ing] that it will require approximately [an additional] $5 million to $15 million . . . to finance the working capital and pre-opening costs of its full expansion program prior to the end of 1986," the prospectus stated.

The HomeClub spends about $2.1 million in preopening warehouse costs and $1.2 million of its own funds to finance a store's initial $3 million inventory.

Zayre's acquisition will readily solve HomeClub's needs for funds to grow.

That growth, so far, will be "focused on West Coast and Southwest states where the HomeClub already has stores," said Arthur F. Loewy, Zayre's executive vice president, finance.

SCOA Buyout Group Plans Hills Expansion

(Continued from page 3)

ments the new SCOA would make. And, although the new SCOA would be paying 12% in dividends, it would be at least four years before these payments would be in cash; disbursement up to that time would only be in additional shares. Also, holders of these shares would have no voting rights and would not obtain equity in the company.

Several groups have expressed dissatisfaction with the proposed buyout. Five separate shareholder suits filed in Delaware courts have been consolidated into a class action suit.

Lincoln Capital Management Co., a Chicago investment consultant for pension funds, which holds 6.5% of SCOA's shares, has filed a 13D statement with the Securities and Exchange Commission. While a 13D is nothing more than a notification of ownership the SEC requires from everybody who owns more than 5% of a company's stock, it does put SCOA executives on notice that Lincoln intends to hold onto its shares and fight the proposed buyout.

Lincoln vp Bill Goldsborough said that his basic main objection is that "the price is too low compared to other recent buyouts in similar organizations. The average premium in leveraged buyouts is 35%. SCOA's offer is less than 10%," he said.

Answers: 1a, 2b, 3c, 4b, 5b, 6b, 7b, 8b, 9a, 10b.

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Wal-Mart Pairing Sam's, dot

BENTONVILLE, Ark. — Wal-Mart will pair up its dot deep discount drug store concept with its Sam's Wholesale Club format through side-by-side outlets in Kansas City and St. Louis this year, according to Jack Shewmaker, vice chairman and cfo at Wal-Mart.

Shewmaker also confirmed earlier unofficial reports that the company will similarly match Sam's with its Wal-Mart discount store this year. In the spring, the two will open as neighbors in the New Orleans market. At press-time, Wal-Mart was looking at potential sites for adjacent stores in Austin and Dallas, Tex., for 1986 openings.

The dot store concept is, in effect, making the transition from an experimental chain to a full-fledged division this year, said Shewmaker.

The company "has an appetite for six to eight more" dot stores, he said. The additional stores will be in Kansas City and Des Moines, where two existing dots operate, or in St. Louis, where a Sam's/dot combination is slated to open.

By locating the deep dis-

(Continued on page 54)

Best to Better 38 Showrooms In Step Toward Assimilation

By BETH A. SEXER

NEW YORK — Best Products is planning to completely renovate 24 showrooms and partially redo 14 others this year.

The remodeling brings the cataloger a step closer to the complete assimilation of the six former Modern Merchandising chains it acquired in 1982. Twenty of the 24 showrooms slated for complete overhauls and all 14 of the partial remakes will be either La Belle's, Jafco, Dolgin's and/or Great Western units. When these showrooms are updated, their names will be changed to Best.

Two other Modern Merchandising chains, Rogers Distributing and Miller Sales, were given the Best logo last year.

President Robert E. R. Huntley told a recent meeting of security analysts that the project is expected to cost approximately $30 million.

In addition to the remodelings, the cataloger has announced plans to open five Best showrooms in metro New York and two in upstate New York in the Greater Buffalo Area this year, marking its debut in these markets (see *DSN*, Nov. 11, 1985, p. 1).

Last year, Best opened nine showrooms.

The cataloger is also planning to revamp all its showroom warehouses this year. This follows the conversion of its different MIS-DP (management information systems-data processing) programs in its various showroom chains to a single unified Best system late last year.

The remodeling of the 38 showrooms this year is part of Best's two-and-a-half-year plan to refurbish 107 stores through the end of 1987 at a cost of approximately $100 million.

This year's project, though, is a change in strategy for Best, which renovated 22 stores (including two La

(Continued on page 54)

Best Products' Renovation Program

	1985	1986
Best units	20	4
Former Modern Merchandising units	2	34
Total	22	38

Source: Best Products

CE Competition Heats Up

LAS VEGAS, Nev. — The consumer electronics retailing war has finally broken out on all fronts nationwide.

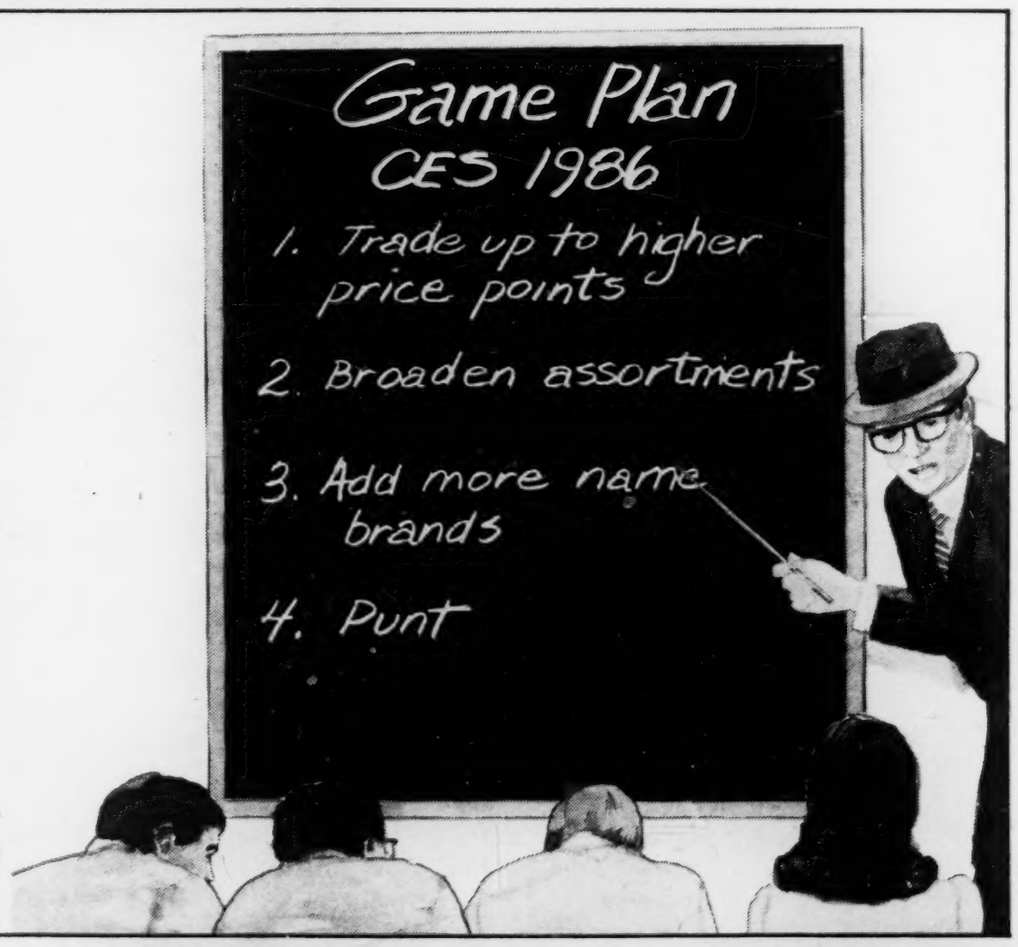
CE goliaths such as Circuit City, The Federated Group and Highland (using their respective superstores as missiles) are waging head-to-head attacks in major markets across the country, trying to establish new market beachheads while holding on to their own home turfs.

Discounters, for their part, are sure to be caught in the crossfire. In addition to the more traditional in-fighting among themselves, discounters are now facing an onslaught of superstores as well as CE chain expansion, threatening to deplete their already shrinking market share.

Many discount chains have already begun to mobilize and reposition against the invasion by: moving to more sophisticated equipment, broader overall assortments and flashier presentations.

Most everyone agrees 1986 will be a year of all-out, cutthroat confrontations, and battle plans are already being rolled out.

Coverage of that battle, and of issues and products for the winter Consumer Electronics Show, begins on page 25.



Target Testing Scanning

MINNEAPOLIS — Target has begun testing checkout lane scanning in four stores in the San Antonio, Tex., market, with a complete evaluation of the program scheduled within the next six months.

Kevin Lonergan, director of store operations for the chain, said the test was approved by Target's top executives about nine months ago, and was up and running in the four San Antonio stores within five months.

Slot scanners are being used in three of the stores, while laser guns are being tested in the fourth.

Target is only the latest of several leading retailers to test or commit to full-fledged POS scanning programs. K mart has said that all its stores will be on line with scanning by 1989; Wal-Mart has an ongoing program of converting older stores to scanning while opening up new units with the technol-

(Continued on page 54)

Expanded Soft Lines

0024037C DS *
MS JEANNE LONG *
CONGRESSIONAL INFOR SVC LEK *
4520 EAST-WEST HIGHWAY *
BETHESDA MD 20814 *

IN BRIEF

■ W. R. Grace & Co. announced plans to sell off its entire retail group, including the already publicly traded Herman's Sporting Goods, in which Grace still retains a 54% interest. Grace said it will sell off its specialty retailing division to help finance the purchase of 26% of its shares held by the Flick Group of West Germany.

FOCUS ON: ELECTRONIC RETAILING

Service Add-ons Seen Attracting More Customers

Harsh reality is forcing the handful of electronic retailers now operating in the U.S. to widely diversify the menu of shopper services they offer consumers.

Marketing plans that once described the electronic firms solely as outlets for discounted general merchandise are being reformulated to give the companies the broad consumer base they need to become true mass merchandisers.

The trend to providing an assortment of services along with merchandise (as well as the industry's youth—some companies have less than a full year of nationwide operation) leaves unanswered the question of whether providing goods alone in competition with traditional retailers would have been enough to sustain these firms' long-term growth.

In enhancing their offerings, electronic retailers are most often adding financial services to attract customers. Travel booking, real estate listings, insurance and information retrieval (providing annual reports of public companies) are also being added. In fact, any consumer service that can be delivered via computer is a likely addition.

With these moves, electronic retailers are following the marketing path laid out by the national leading general merchandise retailers, Sears and K mart.

Sears has diversified into insurance, real estate, securities trading and financial services. Its latest move was the launch of the Discovery credit card. K mart has opened insurance and financial service centers in a growing number of stores to give consumers more reasons to shop the discounter.

The electronic marketers' specific expansion of services reflects the origins and merchandising background of the four major companies in the field. These four firms also can be clearly separated into two distinct types of operations.

Comp-U-Card, at $28.7 million the leading electronic retailer, and its smaller, unprofitable rival, Computerized Buying Network, with just $5.3 million in revenues, started out as telephone-accessed buying services. CUC is now also reachable by home computer.

Viewtron and The Electronic Mall were launched in 1985 as nationwide services for computer owners to buy general merchandise and consumer services from a broad spectrum of companies. Companies featured in the system—manufacturers, retailers, airlines, banks and brokerage houses—all pay to be listed.

The reason for electronic retailers' marketing diversification was voiced by Walter Forbes, chairman of Comp-U-Card, which is the most active in moving into new services. When the company recently acquired Financial Institution Services Inc. (FISI), he declared:

"This merger represents a unique opportunity for us to accelerate our membership growth. The FISI sales force and their client relationships will give us the marketing distribution channel necessary to expand our universe of potential members. Furthermore, their track record and expertise in the travel area will help us develop the operations of our travel club more quickly than anticipated."

A slowing in the growth of the home computer field didn't faze Sarah Ordover, The Electronic Mall's director of marketing. She noted there were an estimated 13.5 million homes with personal computers. That number is expected to reach 31 million by 1990.

"Our biggest challenge as direct marketers is that faced by all early technology pioneers—to create applications that will stir the consumer's imagination," she recently told the Direct Marketing Club of New York. "Future prospects are excellent."

Comp-U-Card is the electronic retailer most actively working to enhance its assortment of consumer services. CUC, with more than two million members, grained about four million potential members through its FISI acquisition. It also launched a travel club and developed the HomeCard as a joint marketing program with Household Finance Corp.

HomeCard, in fact, illustrates the broad range of consumer services an electronic marketer can get involved in.

HomeCard offers Comp-U-Card's shopping service, a bank credit card and such homeowner benefits as pest control, home security, lawn care, real estate listings and tax services provided by leading firms like Termini, ADT, Lawn Doctor, ERA and H & R Block.

For the Computerized Buying Network, which has revamped its market-

(Continued on page 54)

Ames Targets D.C. Area For Murphy's Remodeling

ROCKY HILL, Conn. — Ames has targeted the Baltimore-Washington, D.C. market to begin its Murphy's Mart remodeling program this month, according to Ames chairman Herb Gilman.

Gilman said the market was chosen because of the concentration of both Ames and Murphy's stores in the area. As the Murphy's stores are converted into Ames units, advertising will become more efficient, said Gilman.

The combined sales for Ames and Murphy's during the 43-week period ended Nov. 23, was $1.1 billion, up 77% from $639 million for Ames last year. The G. C. Murphy Co. contributed $375 million of these year-to-date sales.

For the month of November, combined sales soared 93% to $164 million, compared to $85 million for Ames in November 1984. Of the November 1985 sales, G. C. Murphy was responsible for $66 million.

Gilman said the full profitability of the merger can be realized once:

- Murphy's 2% net margin has been brought up to the 3.6% net margin of Ames;
- The 14% payroll/sales at Murphy's is trimmed to the 8%-8.5% of sales for payroll at a typical Ames stores; (That ratio should be reduced in large part by the increased sales, said Ralph Shulansky, chief financial officer at Ames.)
- Sales per square foot at Murphy's is brought up to the Ames store average of $112 last year. Gilman said he hopes Ames will end this year with sales of $120 per square foot, eventually bringing Murphy's up to this level.

Increased soft lines, particularly apparel, is planned for Murphy's stores during 1986. Murphy's currently splits soft lines/hard lines, 33/67. This will be replaced by the 45/55 soft lines/hard lines division at Ames. The mix at Murphy's should be in line with Ames by the middle of this year, according to Gilman.

None of the hard lines merchandise will be phased out at Murphy's, Gilman stressed. Instead, gondola space will be used for the hard lines merchandise to make more room for additional soft lines merchandise.

By Feb. 1, 1986, the 108 remaining Murphy's Marts will be under the Ames operating systems, according to Gilman. All buying for the discount operation will be done from the Rocky Hill, Conn., headquarters.

The 153 variety stores remaining (from a preacquisition 263) now run by former Murphy president and ceo Charles Lytle, are operated as a separate division, said Gilman, who indicated that more stores could be added to the variety chain depending upon its performance in the next year.

Clubs to Battle in N.Y. Area

NEW YORK — The battle among membership warehouses is due to reach the Metro New York Area and other East Coast markets this summer, with The Price Club and the BJ's Wholesale Club arm of Zayre the main contenders.

The Price Club, originators of the wholesale club concept, plans to open 110,000-sq.-ft. stores in the suburban New York markets of Smithtown, (Long Island) and East Rutherford, N.J., along with another unit in northeast Philadelphia.

The duo in metro New York are among an undisclosed number planned for that market, an executive said.

Price's planned entry into the New York market will come a half year after BJ's, which late last year unveiled a 100,000-sq.-ft. unit in East Rutherford, about a mile from the projected Price Club.

BJ's executives said additional warehouse clubs were planned for the New York area, including units on Long Island. BJ's this year is due to open stores in New Brunswick and Cherry Hill, N.J. The former is about midway between New York and Philadelphia and the latter is a suburb of the Pennsylvania city.

Price's current toehold on the East Coast is a unit in Richmond, Va., opened in the fall of 1983. Besides expanding to the Philadelphia and New York areas, Price is expected to open units in Baltimore, where PACE already has three membership warehouses.

At 110,000 sq. ft., the three Prices already set for this year will be slightly larger than the standard 100,000-sq.-ft. format. The additional footage is due to the greater inventory expected to be needed to maintain sales in the New York and Philadelphia areas, a source said.

(Continued on page 54)

Newborn Departments Debut

Infants and toddlers sections are being remerchandised into newborn, infants and toddlers departments at many discount chains this year. For a look at buyers' plans and results of a consumer study on young children's apparel, see the expanded Soft Lines section beginning on page 19.

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SOFT LINES

Discounters Out in Front in Young Children's Apparel

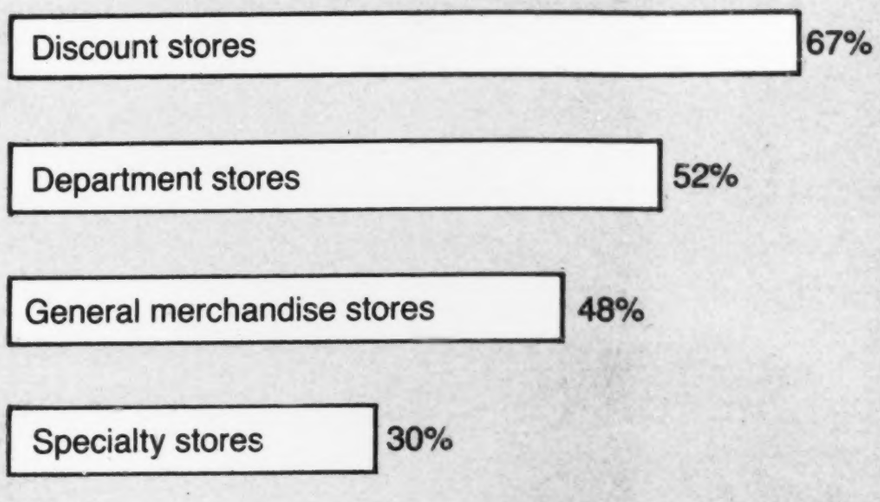
Discounters appear to have a firm grip on the young children's apparel business, according to a recent consumer poll conducted by *DSN* and Leo J. Shapiro & Associates.

A majority—67%—of those shoppers who had purchased clothing for children under age 6 during the past year said they had shopped for such items at discount department stores.

Consumers were also asked if they had shopped for young children's clothing at specialty stores, department stores or general merchandise stores such as Sears, Ward or Penney. Department stores and general merchandise chains were about equal with 52% and 48% of those polled having shopped them. Specialty stores came in last with only 30% of the consumers of small children's apparel choosing such outlets.

Those numbers clearly indicate that most people shop at more than one type of retailer for young children's clothing. However, proof of discounters' strength in the competitive business came up in shoppers' comments on how much they spent overall during the past year on young children's clothing and how much at each of the four types of retail outlets. Discounters snared 41% of the dollars spent on young children's wear among those polled. Sears, Ward and Penney took in 23% of the total annual amount the surveyed group said it spent.

Where Consumers Shop for Young Children's Clothes



Source: DSN/Leo J. Shapiro & Associates survey.

Other findings from the random national survey conducted last November included:

- Gifts for other people's kids accounted for 40% of the purchases made by those polled.
- About a third of those polled considered national brand names important in three categories: sleepers, overalls and underwear/undershirts.

Gold Circle's latest thinking in infants and toddlers will focus its toddlers dress business on three price points and revamp its signing program next year. Shown is Westerville, Ohio. *(DSN photo)*

- Although a greater portion of the specialty-shop shoppers generally prefer national brands, that did not hold true in the overalls category. The percentage of shoppers who look for brands in such items was about the same in discount stores and specialty stores.
- A demographic breakout showed that a larger portion (65%) of discount store children's wear shoppers were in the 20- to 39-year-old age group than at the other three types of outlets (43% at department stores, 42% at Sears, Ward and Penney, 36% at specialists).

Most findings support what discount chain buyers and merchandisers reported about

(Continued on page 23)

Shoppers Spend More at Discount Stores

Mean amount shoppers say they spent during the past year on young children's clothing at . . .	
Discount stores	$143
Department stores	$125
Sears, Ward, Penney	$123
Specialty stores	$ 86

Source: DSN/Leo J. Shapiro & Associates

Brands Consumers Say They Look for in Four Classifications

Sleepers		Overalls		Underwear		Knit Shirts	
1. Carters	21%	OshKosh	20%	Fruit of the Loom	14%	Health-tex	8%
2. Health-tex	8	Health-tex	6	Carters	14	Carters	6
3. Store brand	5	Levi	6	Hanes	7	Store brand	4
4. Winnie the Pooh*	3	Carters	5	Store brand	6	Izod	3
5. Dr. Denton	2	Store brand	4	Health-tex	5	Garanimals	2

*—Sears exclusive

Source: DSN/Leo J. Shapiro and Associates study

Importance of National Brand in Buying Decisions

	Sleepers	Coveralls	Undershirts/ Underwear	Knit Tops
Important (7 to 9)	33%	32%	33%	24%
Not Important (1)	25	29	28	29

Using a sale of 1 to 9, numbers reflect shoppers' feelings about the importance national brand names play in their buying decisions in four infants and toddlers' categories.

Source: DSN/Leo J. Shapiro & Associates survey.

Shoppers' Past-Year Purchases for Young Children by Type of Store

	Discounter	Sears, Ward, Penney	Department Store	Specialty Store
Clothing	26%	20%	33%	20%
Tops	21	17	11	10
Pants	17	7	9	4
Shoes	12	6	4	4
Underwear	9	9	9	4
Jeans and Overalls	8	7	3	—
Dresses	7	12	10	5
Nightwear or Pajamas	5	10	5	4
Coats	3	7	5	7
Other	11	13	5	11

Shoppers were asked to name what they bought at each type of store over the past year. (Some said clothing; others were more specific.)

Source: DSN/Leo J. Shapiro & Associates survey.

Newborn Apparel Potential High

(Continued from page 19)

most chains. As a result, the plans call for basic steps such as raising inventory levels and bettering presentation, rather than adjusting assortments or increasing fashion.

At K mart, for instance, newborn items will be represented to the customer as a separate category (away from infants sizes 6 to 24 months) for the first time this spring. Newborn signing will be added to existing infants and toddlers labels on the selling floor, said senior buyer D. E. Metz.

On the buying level, the chain started about six months ago to earmark a specific portion of the infants budget for the newborn classifications, he explained. As a result, the newborn area can now be recognized as a third to a quarter of the infant girls' assortment, for example.

Overall, Metz is expecting to see infants/toddlers gain 7% for 1986. That gain is slightly higher than the increase in '85 over '84, he estimates. An important part of K mart's plan to build the business is POS information that has been gathered only for about two years. With POS information and reports from its area merchandisers, Metz is pinpointing regions where the national chain can sell more sundresses and other such items. Already Metz is tracking success in two- and three-piece infants sets sold at a single retail, a business he thinks will grow in 1986.

Gold Circle, like K mart, is counting on a more dramatic presentation to help build its newborn business. A new signing program places a color-coded informational sign over every rack in the infants/toddlers' section, said Karin LaChey, toddler buyer.

Three colors are used—one for newborn, another for infants and a third for toddlers. The signing also lists the sizes included in each segment and the corresponding weight range of the baby to help parents buying for a first child and shoppers buying gifts.

In toddlers, LaChey reiterated that consumers demand fashion and durability at a price. Her approach to offering value in toddlers is to focus on pricing with narrow and deep assortments. For spring, she is building on a success of basic boxer cords from Stone and Garan turtle necks with similarly basic twill boxer pants and matching crew neck tops. In toddler dresses, that narrow and deep approach will keep the assortment limited to three price points this spring, compared to seven or eight a year ago for Easter, LaChey explained. With only three prices, the chain will switch to price instead of per cent-off ads in Easter circulars to make a stronger price statement to consumers, she added.

ALCO buyer Tom Smith is also concerned with strengthening his price stance in infants/toddlers this year. That chain's business was running about 6% ahead in '85 compared to '84. In previous years, Smith had seen gains in the 15% to 33% range; Smith attributed the slower growth to ALCO's farm belt stores plus increased competition with Wal-Mart and K mart.

His plans for sharpening price points in infants and toddlers include dropping coordinates in favor of two- and three-piece sets that sell at one price point and generate more sales.

Outerwear represents the best opportunity for pumping up the toddlers' sales at Pamida, according to Patricia Martin, buyer. Last year, a large chunk of her strong outerwear business came from a special buy from an importer. This fall, Martin is planning her own direct import program, including quilted looks and sweater-styled jackets.

SOFT LINES

Strong Sales Earn Basic Bedding Star Status

(Continued from page 19)

one of the few recognizable name brands in basic bedding, to be sold for $15.99 every day and $11.99 or $12.99 on sale.

At Jamesway, repackaging and new designing in the bed pillow area has already helped push sales up 25% over last year. Previously, said Draves, "we had a little bit of this and a little bit of that. We redesigned the packages for the entire line to show the customer a reason to buy the pillow, to make sense of the whole assortment."

The chain color coordinated the packages according to the type of pillow it held, with bold identification on the front as to fiber fill and advantages (i.e., washability, fluffiness, nonallergenic). Also, the pillows, priced from $3.99 for a basic promotional "Granny's Favorite" with traditional ticking to $12.99 for feather and down, have been redesigned with better fabrics and more colorful, updated prints, said Draves.

Jamesway also depends upon in-store signing that asks shoppers "Is your pillow lumpy?" to prompt impulse sales.

Some discounters are turning to stronger promotions this year of basic bedding. Bi-Mart, which sees over 50% margins on bedding every day and 31% margins on sale, will run a promotion at least once each quarter this year, as opposed to just during the two white sales, as was done last year, said buyer Jerry Storm.

Just recently, the chain ran its first full-page pillow promotion with strong results.

However, the chain is veering away from higher-end bedding items, which are less popular among its shoppers. In its 12-ft. pillow section, the chain carries nine sku's, including a promotional standard pillow at two for $4.99, a standard Dacron II ($4.99) and a standard and queen-sized Quallofil ($8.99). No feather pillows are offered because of lack of space.

The chain is replacing the single mattress pad it offered, a BedSack priced at $23.99, with a basic anchor band for $10.99 to $11.99. "You can't sell Cadillacs with a Chevy mentality," explained Storm.

Caldor, however, is one chain that has recently begun experimenting with higher-priced items, like a down pillow to sell at $29.99, although the chain continues to promote poly fills as low as $4. Caldor also promotes Quallofil pillows at least once a month. DuPont, which has already invested heavily to make Quallofil an important fiber to consumers, has added Stayfresh to the fill as an added selling point. Stayfresh is supposed to keep fill fresh and odor free longer.

Caldor also recently promoted a twin-sized wool mattress pad for $39.99, while most discounters surveyed said they are staying away from that steep a price point. The chain's regular assortment also features twin-sized pads ranging from $10 to $25, including basic nonwoven items, Serene Wrap cotton covers by Celanese Serene and BedSack.

Discounters Strong in Kids' Wear

(Continued from page 20)

their infants' and toddlers' business in general. The gift purchase business is seen as the driving force behind increasing sales of infants' clothing (see separate story).

Merchandisers also said brand names are important in basic categories like sleepers and underwear and less important in more fashion classifications like knit tops. That was held up in the consumer survey, which shows a 9% drop in those who consider a national brand name important for the knit top classification compared with underwear overalls.

The gift purchase business is seen as the driving force behind increasing sales of infants' clothing.

Most infants' and toddlers' buyers polled recently pointed out that brands are only one consideration in any shopper's purchase decision. Merchandisers say price is just as important—particularly in the toddler sizes. Some of the brands' chain merchandisers cited that are not listed in the accompanying charts include Lee and Rustler jeans for young children and basics from Stone, Curity and Dundee. Some chains are even testing Fisher Price—a name that is licensed to apparel manufacturers.

The random sampling included telephone calls to 450 consumers across the nation. One hundred and seventy-two, or 38%, purchased clothing for a child up to age 6 within a year of the interview.

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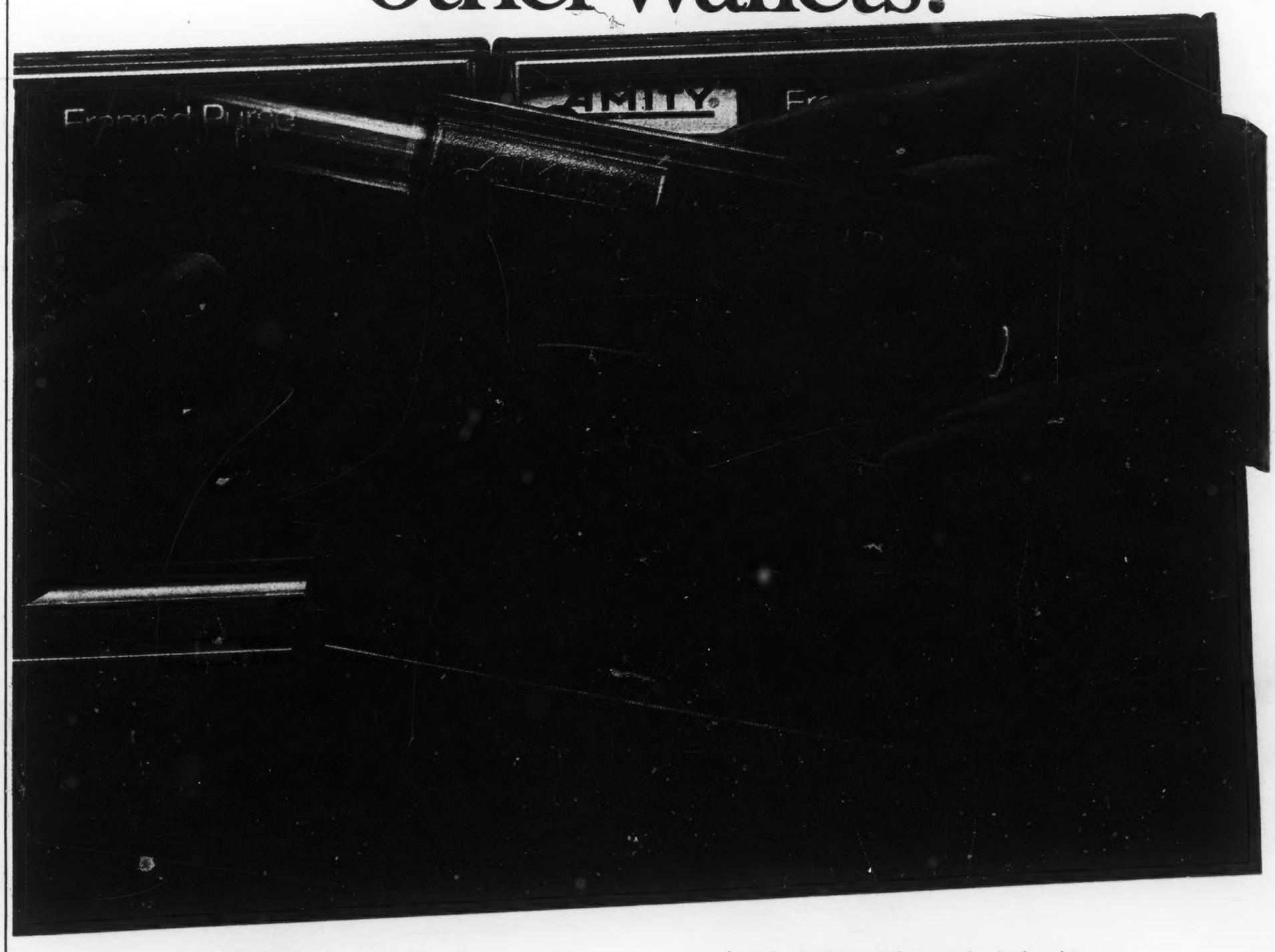

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Discount Store News

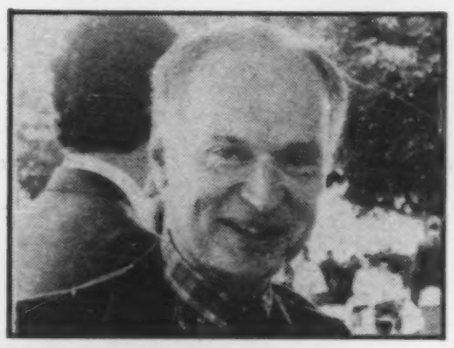
THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 25, NO. 2 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | JANUARY 20, 1986

Expansion to Continue Despite Competitive Fray

'Everybody's expanding. Opening new stores is the name of the game.'

Raymond Zimmerman, Service Merchandise



'The chains are drawn to metro areas first, and then it works its way down.'

Steven Jelin, Prange Way

Nationwide DSN Report

Take Columbus, Ohio. Gold Circle, K mart, Fisher's Big Wheel, Harts, Toys "R" Us, Drug Emporium, Cub Food, Kroger and others are already chipping away at each other and the market, too. Now, Meijer's Thrifty Acres is breaking ground for its initial thrust into the market.

The competition is as fierce in smaller and larger markets across the country, as discounters scramble for a share of discounting's projected 8%-16% sales gain in 1986.

But with the number of discount store players consolidating into a handful of the best and the brightest, the approach to competition today is increasingly one of nuance and niche.

Hills president Stephen Goldberger, noting "there are few one chain towns anymore," said he seeks markets where existing retailers "may not be doing well the things that Hills does well," particularly in soft lines.

On the other hand, wherever they site their new stores, they know its going to be crowded. Steven Jelin, president of Green Bay, Wis.-based Prange Way, cites a study that says "there is enough square footage of retail space in the U.S. to serve 570 million people," about 2.5 times the current population.

Robert Soelter, president of Duckwall/ALCO, said his company's criteria for new markets haven't changed, but an increasingly key determinant is the amount of competitive retail square footage in the market. "That's a very key figure," he said. "If it's not right, we won't go in."

In the end, though, the expansion pace continues. "Opening new stores is the name of the game," said Service Merchandise chairman Raymond Zimmerman.

Whatever the criteria, chains are continuing to expand. Wal-Mart, of course, has been opening new stores most aggressively, with about 115 discount stores due to open this year, following a like number of debuts in 1985. Others, while not matching those numbers, are keeping to steady expansion rates.

An increasing number of those openings are by specialty discounters, cited by several executives as the single most powerful force shaping today's retail landscape.

While discount department stores were expected to register a 2%-3% sales increase in 1985, specialty discounters were projected to show nearly a 20% increase, to $17.2 billion, much of it through expansion. Similarly, off-price apparel retailers were expected to end the year with 8% gains to $9.3 billion, according to *DSN* research.

"Not only are there more stores of our type," said the chief executive of an eastern discount department store chain, "but now you're seeing a whole new raft of specialty competitors. All that tends to reduce prices and margins for everybody. We've long since realized that we've got to operate on a lower margin to be competitive."

Even the specialists themselves have had to adjust strategies. Toys "R" Us, for example, has begun to stress a

(Continued on page 46)

'It continues to get tougher. The chains that aren't good go out of business or are merged.'

Stephen Goldberger, Hills

'Competitors' retail square footage is a key figure for us. If it's not right, we won't go in.'

Robert Soelter, Duckwall/Alco

With T.G. & Y. Deal

McCrory Becomes $3B Retail Unit

News Analysis

NEW YORK — Rapid-American Corp.'s acquisition of T.G. & Y. has set the stage for Stephen L. Pistner to head a $3 billion retailer that derives its strength from merchandising basic and staple goods to lower-income customers who make up about half of America's households.

Pistner is chairman and chief executive officer of Rapid-American's McCrory Corp., the nation's second-largest variety store chain with almost $1 billion in sales from 748 stores in 38 states.

Now, he will also be responsible for Oklahoma City-based T.G. & Y., a troubled $2 billion discount store and variety store chain with 739 units in 24 Sunbelt and Midwest states.

Rapid-American purchased T.G. & Y. for slightly more than $300 million from a leveraged buyout group that last month bought all of Household International's retailing operations.

A Rapid-American spokesman said, "It is expected that the synergism of the two companies [McCrory and T.G. & Y.] will result in improved profitabilities." He added, "It's premature to speculate as to how McCrory would operate the T.G. & Y. business."

Trade sources indicated Pistner is likely to eventually meld the two companies into a combined operation that straddles the line between a variety and a discount store.

The tipoff, these sources said, can be found in Pistner's observation that "the opportunities in the variety business grow by leaps and bounds. Retailers have evacuated the low-priced market. Discount stores have moved up. They have left a void, and the void is getting larger."

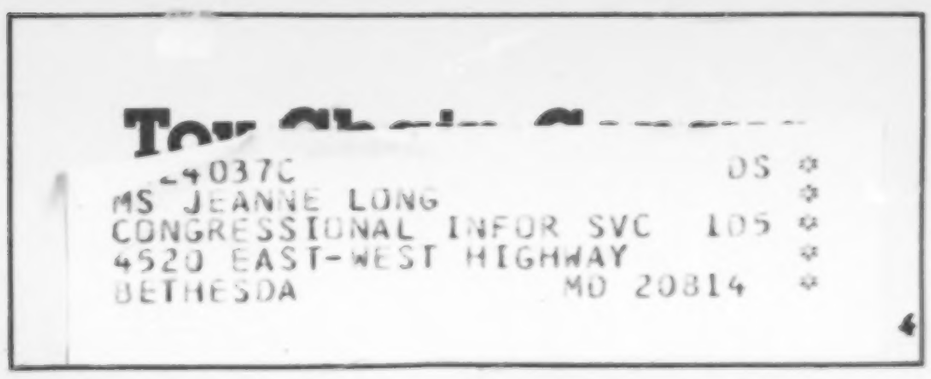
McCrory had successfully mined this market even before Pistner joined the company a year ago. McCrory's sales in the fiscal year ended Jan. 31, 1985 were $918 million, up 12.2%, while operating profits of $84.5 million were up 12%.

During the first nine months (ended Oct. 31, 1985) under Pistner, McCrory's sales amounted to $658 million, up 6.5% from $618 million. Operating income of $41.2 million was an 18.4% decline from $50.5 million.

McCrory follows the traditional variety store mix of merchandising basics and staple goods and T.G. & Y. is expected to be revamped to do the same.

Pistner called T.G. & Y. "a perfect strategic fit" with McCrory and said that the Oklahoma City chain's merchandise mix would be changed but it was too early to

(Continued on page 46)



Kmart. BUILDERS SQUARE™

K mart to Test Combo Units in Florida Market

TROY, Mich. — K mart will be testing a combination discount department store and home improvement center under one roof.

The giant discounter will open three combination K mart-Builders Square units in Florida during the first half of this year.

The three hybrid units are part of a nine-store purchase of recently shuttered Jefferson Ward locations in Florida and Richmond, Va. The purchase price was undisclosed at presstime. Four of the sites—in Lauderdale Lakes, North Palm Beach, Fort Myers and Richmond—will be converted to Builders Square; two other locations—in Jacksonville and Hallandale—will be typical K marts.

The remaining 17 Jefferson Ward stores in Florida and Virginia are still on the real estate block, although K mart is still considering other possible Ward sites.

K mart's first combo test comes on the heels of Wal-Mart's announcement to pair Sam's, its membership wholesale club, with a traditional Wal-Mart store in New Orleans this spring.

However, K mart's discounter and home center pairing was more a result of the large Jefferson Ward locations rather than long-range strategic planning.

"We decided to combine the retail outlets because three of the Jefferson Ward stores that K mart acquired had more floor space than needed for either K mart or Builders Square alone," said Frederick M. Stevens, executive vice president of specialty retailing for the chain.

"It provided us with an ideal opportunity to test the com-

(Continued on page 46)

Dept. Stores Hike Promotional Stance to Compete

Gap Narrows in Operating Results vs. Discounters

NEW YORK — Conventional department store merchandising has become more promotional and the result is that the differences between the latest operating measurements of these retailers and discount department stores has narrowed slightly.

The heightened promotional stance evident among conventional department stores reflects the increased competition they are facing from specialty retailers as well as discounters, particularly in such vital merchandising areas as apparel and consumer electronics.

The narrowing in differences in operating measurements between the two major full-line retailers is evident from the latest merchandising reports on these retailing segments; for discounters, the National Mass Retailing Institute's Mass Retailers' Merchandising Report for 1984-85, and for conventional department stores, the National Retail Merchants Association's 1985 Merchandising and Operating Results study.

Conventional department stores' increased promotional posture is evident from the performance results of 14 major departments. The markup of six increased, but five declined and three showed no change. Higher markdowns, meanwhile, were taken for 12 categories; only two showed reduced price cuts.

The net effect was that gross margins fell for 11 categories and went up for only three.

The greater promotional stance, however, didn't markedly aid the conventional department stores; turns fell for 11 categories, showed an increase in one and remained the same for two others.

The results for these same 14 categories among discounters showed that these retailers didn't escape the competitive pressure from specialty stores and the more aggressive merchandising of conventional department stores.

Discounters raised markups in six categories, while eight others showed drops in this measurement. The markdown percentage went up in nine categories, dropped in three and showed no change in one.

Gross margins went up in eight categories, dropped in five and remained the same in one.

The major positive note for discounters is that turns increased in all 14 categories.

The narrowing of the gap between the two retailing segments that resulted from the heightened competition each faced can be seen in such categories as women's dresses, where the difference in gross margins was just 1.9 percentage points. In the previous studies, the spread was 7.6 percentage points. In lingerie,

(Continued on page 44)

Sales as % Total Store

Categories	Discount Stores	Department Stores
Women's dresses	0.9%	2.7%
Women's coats & suits	0.5	1.8
Lingerie, robes & sleepwear	2.4	12.1
Men's wear	6.9	13.1
Girls' wear	2.3	1.9
Boys' wear	2.4	2.2
Infants' wear	2.8	1.6
Domestics	4.5	5.0
Housewares	5.1	1.6
Traffic appliances	2.1	1.2
Sight/sound appliances	4.0	1.6
Toys	6.4	0.6
Drugs & cosmetics	8.0	7.1
Stationery & greeting cards	3.1	1.6

Source: NMRI's 1984-85 Mass Retailers' Merchandising report; NMRA's 1985 MOR report.

Gross Margin %

Categories	Discount Stores	Department Stores
Women's dresses	36.6%	38.5%
Women's coats & suits	35.3	43.0
Lingerie, robes & sleepwear	38.7	48.1
Men's wear	34.5	42.5
Girls' wear	36.7	42.9
Boys' wear	34.5	39.5
Infants' wear	30.1	44.3
Domestics	32.8	41.3
Housewares	30.5	38.7
Traffic appliances	23.4	22.1
Sight/sound appliances	16.6	24.3
Toys	28.1	33.6
Drugs & cosmetics	19.6	38.8
Stationery & greeting cards	39.5	41.2

Source: NMRI's 1984-85 Mass Retailers' Merchandising report; NMRA's 1985 MOR report.

Discount Stock Index Outperforms '85 Market

NEW YORK — Crazy Eddie had a very good year; so good, in fact, that the New York-based consumer electronics discounter was the leading percentage gainer in *DSN*'s Discount Store Index last year. The company's stock rose 230.28%, finishing out the year at $18.38.

Two other companies on the index showed triple-digit gains. Jewelcor's stock went up 175.25% compared to 1984. Toys "R" Us saw its stock rise by 107.96%.

The Discount Store Index as a whole rose 42.09%, outperforming other major stock market indices. By comparison, the Dow Jones Industrial Average rose 27.97%, the Standard & Poor's indices increased 25.97% and 25.69%. The New York Stock Exchange's own composite index rose 25.47%.

Winning stocks led losers 6 to 1, with 36 companies posting advances. The Price Company, operator of the Price Club membership warehouse chain, was the largest dollar gainer; its stock went up $28.25. The largest dollar loser was Bradlees parent Stop & Shop, whose price fell $2.25 during the year.

The largest percentage gainer was Crazy Eddie, whose stock prices rose from $5.57 a share on Dec. 31, 1984, to $18.38 at the end of 1985.

The largest percentage loser was Cook United, still involved in bankruptcy proceedings. Its stock went down 38.94%.

Two of the six companies showing declines during the year were L. Luria & Co. and W. Bell, regional catalog

(Continued on page 45)

Discount Store News QUIZ

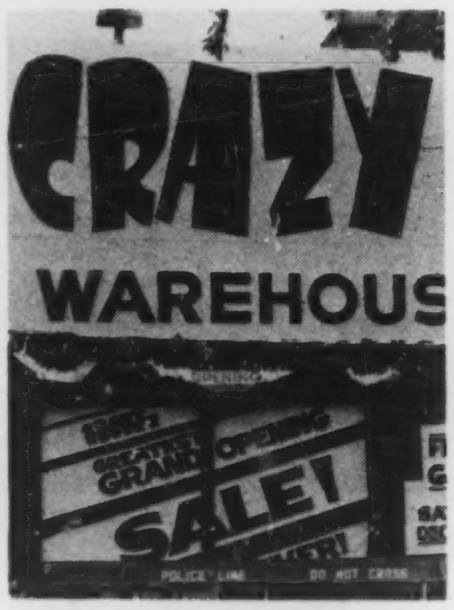
The *DSN* Quiz, testing your knowledge of news and trends in discount retailing covered in the previous two issues, will appear on this page monthly. Check your answers with the key on p. 46

1. Best Products' renovation program for 1986 will be aimed at:
a) expanding showrooms' warehousing space;
b) converting former Modern Merchandising units to Best showrooms;
c) removing all pop art from company premises.

2. Designer Depot, K mart Corp.'s off-pricer, will focus its expansion for the next two years on:
a) the Sunbelt;
b) only existing markets;
c) the Australian outback.

3. Target, in four stores in the San Antonio market, has begun testing:
a) in-store banking services;
b) unannounced "Bullseye Specials";
c) checkout-lane scanning.

4. Discounters have begun revamping their infants and toddlers apparel sections to include:
a) newborn areas;
b) babysitting services;
c) infants' sporting goods.



5. Crazy Eddie has unveiled its first-ever:
a) mime television ad;
b) 20,000-sq.-ft. superstore;
c) warehouse store.

6. The proposed leveraged buyout of Cyclops will make a publicly held company of:
a) Bausch & Lomb;
b) Silo Inc.;
c) T.G. & Y.

7. Wal-Mart's sales are projected by industry observers to reach:
a) $22 billion by 1990;
b) $25 billion by 1988;
c) somewhere over the rainbow.

8. Metropolitan New York is the latest battleground between competing membership warehouse operators. Planning to operate there by this summer are:
a) PACE and BJ's Wholesale Club;
b) Price Club and PACE;
c) Price Club and BJ's.

9. VCRs are estimated to have achieved household penetration of:
a) 20%;
b) 30%;
c) 40%.

10. Sam Walton's first retail store was a Ben Franklin franchise in:
a) Bentonville, Ark.;
b) Little Rock, Ark.;
c) Newport, Ark.

All in a Row

Juniors sizes and looks are mixed in with misses at Hills stores. In Maumee, Ohio, a young customer selects from a long run of sweaters. See Soft Lines, page 17. *DSN photo*

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Chains to Increase Toy Market Share

By LARRY CARLAT

The race is on for specialty toy retailers. The prize: a bigger slice of the toy market pie.

As more and more mass merchandisers continue to neglect the category until the fourth quarter rolls around, toy chains will be scrambling to gobble up discounter's vacated market share. The attack will be two-pronged, centering on stepped-up expansion and pared-down pricing.

Over the past few years, discount chains' share of toy sales has been on a continuing downward spiral, dropping from 35% in 1982 to about 27% last year, according to industry estimates. On the whole, however, the toy retailing industry has grown nearly 40% in the last five years, and specialty toy chains have been the prime beneficiaries.

Toy chains already account for over one-third of total toy sales and many industry watchers feel the specialty segment, with its year-round sales orientation, will account for over 50% of toy sales before the end of the century.

In fact, industry analysts expect the three toy retailing majors, Toys "R" Us (TRU), Child World and Kay Bee Toy and Hobby, to account for 40% of toy sales by 1988.

The main question facing most specialty toy retailers in 1986 will be: How to maintain growth while going at each other's throats?

This year's market factors appear to be two-toned. Demographics favor the toy retailers. By 1990, the not-so-mini baby boom will produce nearly 40 million children in the main toy-using ages of newborn to 10. In 1983, that number was 34 million.

However, the overall outlook for toy merchandising appears more ominous. Last year's dearth of hot licenses is expected to continue this year, according to several toy chain executives, who were less than enthusiastic after previewing several major manufacturers' new toy lines.

Besides Teddy Ruxpin (the only bona fide new Christmas hit), there were no replacements for high-ticket toy stars Cabbage Patch and Trivial Pursuit; higher-ticket home computers also slowed down to a sales crawl. TRU, for its part, saw home computer sales drop from 17% of its total volume to about 6% last year. Child World fared the same.

Specialty toy chains had to find a way to fill the voids. TRU, which has increased its market share 1½% in each of the last five years and currently accounts for about 15% of U.S. toy sales, made several subtle changes in its strategic plan in reaction to the retail environment. Sharpening its everyday low pricing and supporting it with more promotional activity helped propel the chain over the $2 billion sales mark last year and the tactics are expected to continue into this year.

Another basic change for TRU will be a follow-up from last year. The chain entered two new markets for the first time in 1985, going into the Carolinas and upstate New York. This year, the 233-unit toy retailer will again invade

(Continued on page 33)

Top 10 Toy Chains Top $3.6 Billion, 1,500 Stores

Chain, Hq. State	Projected Fiscal 1985 Sales (Millions)	Number of Units 1/85	1/86	1/87	Avg. Store Size (Sq. Ft.)
Toys "R" Us (N.J.)	$2,210	199	233	283	25,000
Child World (Mass.)	525	104	120	136	25,000
Kay Bee (Mass.)	435	535	584	640	3,500
Lionel (Pa.)	245	52	56	66	25,000
Greenman Bros. (N.Y.)*	160	107	310	360	3,250
K & K Toys (Va.)	37	87	96	N.A.	3,200
Karl's Toys (Calif.)	23	23	27	30	6,000
Toy King/Toys & Gifts Outlets (Fla.)	18	58	62	N.A.	2,500
Toys Plus (Mo.)	17	20	25	37	12,500
Hobby Center (Ohio)	12	26	27	27	3,000

Source: DSN research

N.A.—Not Available.
* Includes Playland, Playworld and recently acquired Circus World units.

The facade of the bank branch in 34 California K mart stores resembles traditional bank architecture.

K mart Plans to Extend In-Store Bank Facilities

TROY, Mich. — K mart will open 34 additional First Nationwide Savings branches in California stores, with plans to extend the banking facilities into two or three other states this year via network members of First Nationwide, according to Jon Hartman, K mart's assistant treasurer for financial services.

K mart currently has 10 of these branches in San Diego-area stores; these will be more than doubled in size—from their present 64 sq. ft. to 136 sq. ft.—to conform to the size of the branches.

Seven of the 34 new banks will open in Sacramento-area stores with the remainder located in the Los Angeles/Orange County area, said Hartman. The first seven new units will open in February with the other new branches being rolled out later in the year. Hartman added that the San Diego bank remodeling should be completed by the end of the year.

The new in-store banks will have a different look from the original kiosk-style structure of the San Diego units.

"The front facade will be more in keeping with traditional bank facilities," said Hartman. He said the new unit will be a four-sided structure on a triangular pedestal with a column on one side.

An automatic teller machine (ATM) will be located on one side (something the San Diego branches didn't have), a single doorway on another side, with merchandise displays often against the other two sides.

The unit is situated to the left or right of the central store aisle—whichever is opposite the in-store cafeteria—toward the back of the store.

Hartman said there are a few if any new customers drawn into K marts due to the banks, but the rental arrangement has brought money in, and is, he said, "mutually beneficial" to both K mart and the bank.

(Continued on page 44)

Retailer MIS Expenses Rise

NEW YORK — Computer systems are taking a bigger bite out of retailers' dollars, with expenditures on Management Information Systems (MIS) rising faster than store sales.

According to a report by the accounting and consulting firm Arthur Young, in 1984, mass merchants increased their computer spending by 12% compared to 1983, while sales grew 9%.

Even so, mass merchants are not the biggest spenders in the computer revolution: The average retailer's MIS budget grew by 19% in 1984 as compared to the year before—almost double the overall 10% sales increase.

Maybe mass merchandisers' computer departments do not have to grow as fast any more. Arthur Young retail consulting manager Frank Andrews speculated that mass merchandisers showed a lower rate of MIS spending in the study because of their size. "Our 111-organization survey included 10 discount stores with more than $1 billion in sales," he said. "We found that computer operations in stores that size do not grow as dramatically any more. They have attained the level others are striving for."

Retailers don't just spend money on MIS, they actively stimulate computer activity. Seventy-seven percent of the mass merchandisers surveyed reported having special MIS steering committees, 52% of them headed by either the company president or the vice president/chief financial officer.

Only supermarkets place more importance on their MIS operations than do mass merchandisers; 83% of the companies in this category reported having a special steering group. Only 53% of the surveyed department stores has a group.

Another indication for the importance of computers in retailers' operations is the fact that 87% of the heads of MIS departments in mass merchandisers report directly to the president of the company or to the chief financial officer. Again, only supermarkets, where computerization has advanced furthest, attach more importance to their computers; 92% of the MIS heads report directly to the top echelons of the company.

Other figures from the survey include:

- Mass merchants spent an average of 0.67% of their 1984 sales revenue on MIS, 0.01 points more than in 1983. Department stores averaged 1.06% of sales (1.01% in 1983), specialty stores 1.06% (0.97%) and grocery stores 0.23% (0.22%).
- The average mass merchandiser MIS department (the study groups discount-

(Continued on page 46)

Discounters Push to Revive TJTC

WASHINGTON — Congressmen returning to Capitol Hill for the start of a new session will be greeted by discount industry lobbyists pushing for a revival of the Targeted Jobs Tax Credit program.

The program technically expired at the stroke of midnight, New Year's Eve, and threatens to take with it millions of dollars in federal wage subsidies to the nation's discount chains.

Industry officials said they have already secured "commitments" from some members of Congress to consider legislation temporarily extending TJTC and several other federal programs which they hope to have on the President's desk by mid-February.

The six-year-old TJTC program offers discount chains and other employers direct federal tax credits of up to 50% of the first year wages (25% in the second year) paid to each newly hired worker from any of several "targeted" groups (welfare recipients, specially trained handicapped individuals, "economically disadvantaged" cooperative education students, etc.).

Ironically, Congress produced a stop-gap "extensions bill" preserving TJTC through mid-1986, which passed both houses as an amendment to the $78 billion deficit reduction measure which died as Congress adjourned late last month.

Attracted by the prospect of seven-figure TJTC tax subsidies, a number of major industry chains have established aggressive programs to recruit eligible workers from "targeted" disadvantaged population groups.

Dayton Hudson, for one, hired 2,500 TJTC workers in just four states during 1984 alone. And at one newly opened Target store in Milwaukee, the chain was able to fill 185 positions with employees eligible for the federal tax subsidies.

Although there are no statistics available on the number of discount chains participating in TJTC, Association of General Merchandise Chains president Edward T. Borda told *DSN* that "The program is widely used by retailers of all sizes."

Focus On

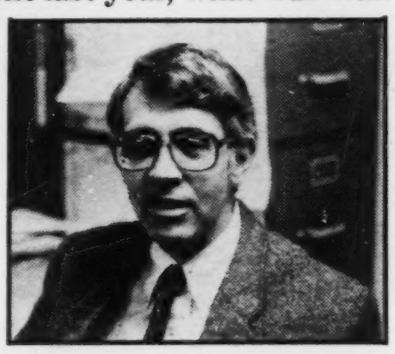
Membership Warehouses

Investors Confused About Warehouses

By ARTHUR MARKOWITZ

Membership warehouses are the newest, hottest, retailing format, right?

So when four major players in the membership warehouse field went public last year, what was Wall Street's reaction? A big yawn.



That reaction points up the vagaries of the stock market and reflects investors' unrealistic expectations and limited understanding of the companies' business.

The companies are Costco, PACE, the Warehouse Club and the Wholesale Club. Together with The Price Club, they are, so far, the only pure stock play in the membership warehouse field.

The stock price of the four new issues at the end of the year showed little change from the initial offering price. This overall lackluster performance, however, hides the volatile swings in the price of PACE—the first of the quartet to go public and the beneficiary of the overly optimistic initial investor outlook for the industry—and stands in sharp contrast to the stock market's embrace of the Price Club. Nine years old and highly profitable, The Price Club ended the year at $70, close to its all time $72.50 high (set in 1985) and a 75% jump from its 12-month low of $40.

The great expectations for PACE (and, implied, for the entire wholesale club field)and the poor financial results of the four contrast so sharply with Price Club's performance as to go a long way in explaining the investment community's mixed response to the industry.

Edward A. Weller of E. F. Hutton said Wall Street "is ho hum because these companies haven't made any money. They were sold to investors on the expectation of earnings in 1986 and 1987, and very little has happened since the public offerings to indicate any gains in earnings now and next year."

Fred Wintzer of Alex. Brown & Sons said investors' reaction to the four companies shows how "fickle" the market can be. "Investors buy a stock because of a new and hot concept. To make a deal work, you need momentum. Right after going public, if the stock goes up, it attracts other investors. If it doesn't, people lose interest."

This scenario seems to have been Wall Street's script for these four newly public companies. Only PACE, first out of the gate, created any stir. It went public at $15.50 and eventually reached a $21.50 high. It slid as low as $11.25 before ending the year at $14.63.

As for the others, Costco went public at $10 and ended the year at $11.88; the Warehouse Club came out at $11 and ended at $11.50; and the Wholesale Club debuted at $7 and ended at $6.75.

Bo Cheadle of Montgomery Securities said that Wall Street's response to PACE and the three public offerings that followed also reflected investors' "wrong perception that membership warehouses are similar to other warehouse retailers, like building supply chains."

When the warehouse building supply industry started to run into financial problems in the early summer and a number of companies reported poor results, the ripple effect slammed "the window shut on the wholesale clubs that were going to the market," Cheadle explained.

PACE went public on June 20, 1985, and hit a windfall. Its price was higher than the $12.50 to $14.50 range projected in the red herring and almost 3.5 million shares were sold, one million more than originally planned.

The window, however, closed after PACE and was tightly shut when the Warehouse Club became the next wholesale club to go public in early October. Its $11 price was under the $13-$15 range in the red herring and the 1.5 million shares sold was half that originally projected.

Costco, next to go public in late November, managed to sell its planned 4.2 million shares, but the $10 price was under the $14-$17 range in the initial offering.

The window opened somewhat for the Wholesale Club in its early December offering. Its $7 price was just under the initially projected $8-$10 range and its two million shares sold was 250,000 more than the red herring.

Wintzer added: "Wall Street perceived the innovative Price Club as a unique concept that can't be duplicated. Then during the past few years similar companies started to come out of the woodwork and began to bang heads in some markets. Now there are lots of stores out there. Investors are waiting to see what happens."

The answer for one security analyst who didn't want to be identified was simple: "I think the entire industry is due for a shakeup.

Women in Sports Aid Sales

MOUNT PROSPECT, Ill. — Future growth in sales of sporting goods should come from women's increased participation in sports, said Thomas B. Doyle, director of information and research for the National Sporting Goods Association (NSGA).

A recent NSGA survey revealed women were making strong showings in a number of sports traditionally dominated by male participants, like exercising with equipment, softball, basketball and baseball.

In the case of exercising with equipment, 54.1% of the new participants to the sport in 1984 were women; 46.2% of new softball players, 38% of new basketball players and 21.5% of newcomers to football that year were also females.

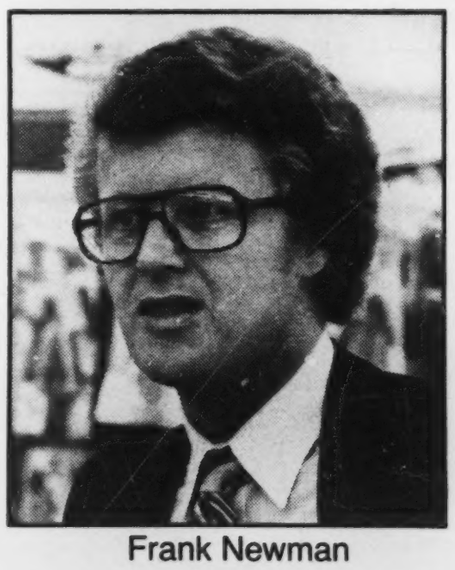
Boyle added, though, specialty sporting goods outlets have been quicker to react to the rising trend in female sports participation. Since they service schools and universities, which are bound by Title IX to provide equal athletic opportunities to both sexes, sporting goods stores have already increased their assortments to cater specifically to women's needs. For example, many stores have begun carrying the NCAA-approved smaller basketballs

It's up to mass merchandisers now, said Doyle, to decide whether sufficient demand exists in their market areas to add these items.

1984 Sports Participation*

	Total (millions)	New (millions)	Total % Male	Total % Female	New % Male	New % Female
Swimming	74.4	4.5	47.1%	52.9%	48.3	51.7%
Bicycle riding	51.0	4.8	46.6	53.4	42.4	57.6
Camping	43.0	6.2	52.6	47.4	53.1	46.9
Fishing (fresh water)	41.7	4.3	67.4	32.6	62.6	37.4
Exercising with equipment	34.7	7.8	51.3	48.7	45.9	54.1
Running/ jogging	29.5	3.7	52.7	47.3	41.9	58.1
Aerobic exercising	24.4	5.5	11.5	88.5	13.3	86.7
Softball	22.3	3.1	60.7	39.3	53.8	46.2
Basketball	21.2	2.7	72.7	27.3	62.0	38.0
Volleyball	19.7	2.4	48.0	52.0	41.2	58.8
Tennis	19.5	2.8	53.6	46.4	47.3	52.7
Baseball	15.1	2.0	81.8	18.2	68.5	31.5
Football	13.9	2.1	85.8	14.2	78.5	21.5
Fishing (salt water)	12.7	1.9	72.7	27.3	73.3	26.7
Backpacking/ wilderness camping	8.3	1.7	61.6	38.4	57.7	42.3

*Seven years of age and older. Source: NSGA



Frank Newman

Newman Named President of Drug Deep Discounter

WARREN, Mich. — Frank A. Newman has been named president of F & M Distributors, a deep-discount drug store with 25 outlets in Michigan, Ohio, Illinois and Indiana.

Newman, 36, was formerly executive vice president, franchise companies at Household Merchandising Inc., a division of Household International Inc. In that position, he was in charge of 1,629 Ben Franklin variety stores and 1,079 Coast-to-Coast hardware stores.

He left Household Merchandising after it was purchased by a group of investors in a leveraged buyout.

Goodwill Industries Extends Program

MINNEAPOLIS — Spurred on by its successful surplus merchandise program with Target, Goodwill Industries of America is now pursuing similar arrangements with other major retailers.

From June through mid-December of last year, Target contributed 76,386 items to Goodwill, said R. J. Thiel, Goodwill's community donation director for the southern part of Minnesota. During the first two weeks of December alone, the item count came to 10,000.

Since 1982, Goodwill has been working under a chainwide contract with Target which allows local Goodwill organizations to collect merchandise the store no longer regards as salable and sell it in its own retail outlets or recycle it as scrap material or textile salvage.

Although the charitable organization collects donations from other retailers through arrangements between local Goodwill offices and independent or regional retailers, Target is the first retailer to commit to the program on a chainwide basis. Target's community relations coordinator, Tom Lee, said Goodwill now collects merchandise in every market it shares with the chain—which covers 90 communities and involves about 45 different Goodwill offices.

Lee said the Dayton-Hudson chain favors the Goodwill program because it removes unsalable merchandise from the stores in both a cost-efficient and charitable manner. He added, store employees were often distressed about throwing out merchandise that could be put to good use.

Goodwill provides each store with one to three containers placed in the loading areas, which store personnel fill with the discarded merchandise.

For Target, this is an alternative to "hauling merchandise to the dumpster," at a freight cost, or to destroying the goods. Lee explained unsalable merchandise includes apparel with broken zippers, tears or rips or cookware sets found to have one item broken—items that when sold at an average third of the cost of Target's regular retail, might still be of value to shoppers. In addition, Target receives a tax deduction for the goods.

Drips Dominate in Dry Coffee Market

NEW YORK — Fewer Americans are waking up to smell the coffee—especially if it's instant.

A downtrend in the nation's consumption of soluble (instant) coffee has reversed long-fought-for gains in overall coffee consumption.

Regular brewed coffee, though, by far remains the coffee of choice, accounting for three out of four cups consumed. Also unhampered is the electric-drip coffeemaker's continued dominance as the most favored coffee-brewing appliance.

Fewer coffee drinkers

Last year, the percentage of the population drinking coffee dropped 2.3% to 55%, as compared to 57.3% in 1984, according to the International Coffee Organization's winter 1985 coffee drinking study.

Coffee drinking fell to 1.83 cups per person per day last year from the 1.99 cups per person per day consumed in 1984—when overall coffee consumption saw its first rise since 1979. Not only did last year's lackluster performance overturn the 1984 gains, but it represented the lowest level of coffee consumption yet recorded by the organization, dropping more than 40% below the 1962 record year.

Electric drip popular

One trend that did continue last year was consumers' preference for the electric-drip coffeemaker, which was used by 56% of American households, up from 55% in 1984, and from 12% in 1981.

The electric drip's popularity, though, comes at the expense of other coffee-making items, including the electric percolator, which over 10 years dropped from usage by 51% of households to 17%; regular percolators, drip pots and filter cones.

The study, which was based on 7,500 interviews in the continental U.S. also showed over seven out of 10 cups of coffee are consumed at home.

About 75% of coffee consumed is regular, although last year did reveal a slight decrease in its consumption, from 1.44 cups per person per day in 1984 to its 1985 level of 1.39.

Instant consumption down

The more significant decrease in coffee consumption, though, was in instant. Consumption of instant coffee dropped to 0.42 cups per person per day from the prior year's level of 0.54 cups.

Decaffeinated coffee drinking habits remained unchanged in 1985, with over 17% of the population drinking decaffeinated coffee at the rate of 2.5 cups per drinker/per day.

The study also revealed for the first time soft drinks outdistancing coffee as the beverage of choice for the largest percentage of the population. Last year, 59.4% of consumers said they drank soft drinks as compared to 54.9% who drank coffee. In 1984, the two beverages achieved equal favor. Tea's popularity remained at 30.9% while consumption of milk and juice dropped only slightly to 47.4% and 45.5%, respectively.

% of U.S. Households Using Coffee-Making Items

Product	1975	1981	1982	1983	1984	1985	Percentage Change 1975-85	Percentage Change 1984-85
Electric percolator	51	27	24	22	19	17	−34%	−2%
Regular percolator	24	12	10	10	10	8	−16	−2
Electric drip	7	49	52	52	55	56	+49	+1
Drip pot	9	6	7	9	9	7	− 2	−2
Filter cone	4	3	4	4	4	3	− 1	−1
Steeping pot	3	2	2	2	3	4	+ 1	+1
Vacuum coffeemaker	2	1	—	—	—	—	− 2	—

Source: International Coffee Organization

The electric drip coffeemaker, used by 56% of U.S. households, continues its steady gain in popularity, mostly at the expense of electric and regular percolators. Drip pots and filter cones are also slipping in usage.

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AUTOMOTIVE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVE			
1	Fila Motorcraft oil filter	141,049	4.19	590,995
2	Sealed beam, large square, 6052	71,755	7.99	573,322
3	8-oz Armor All Protector	140,039	2.99	418,716
4	Snowhite Lit' N' Easy, gal, 3431	29,019	13.99	405,975
5	Auto bulbs, 2 on a card, 1157	369,603	1.09	403,085
6	Sealed beam, large round	121,570	3.29	399,965
7	Raindance paste (appl, pkg), 14 oz	54,988	7.19	395,363
8	16 oz Armor All Protector	61,092	6.19	378,159
9	Sealed beam, low square, 4652	75,384	4.99	376,166
10	Gumout jet spray, 13 oz 7450	154,938	2.39	370,301
11	2 ton hydraulic floor jack	6,817	54.29	370,094
12	Air compressor with gauge	14,846	22.99	341,309
13	2 ton mini hydraulic floor jack	7,520	44.99	338,324
14	Turtle Wax super hard shell paste, 14 oz	82,450	3.99	328,975
15	Halogen sealed beam, large square, H 6054	15,197	19.99	303,788
16	Quartz Halogen fog light kit, amber	9,282	29.99	278,367
17	Oil treatment, 15 oz	117,495	2.29	269,063
18	Raindance liquid (appl. pckg), 16 oz	35,256	7.19	253,490
19	AC spark plugs R45TS-8BP	17,665	12.09	215,987
20	Westl Bleche Wite liquid, 20 oz	98,105	2.19	214,849
21	Gumout carburator cleaner, 12 oz	111,468	1.89	210,674
22	Window film kit, smoke 20" x 10"	22,338	8.99	200,818
23	Freon 14 oz, 1001	155,126	1.29	200,112
24	Gunk Engine Brite, aerosol 20 oz	89,636	2.19	196,302
25	Chamois, 2½ sq ft	32,097	5.99	192,261
26	AC oil filters, PF-47	46,524	3.99	185,630
27	Roberk 16" wiper blade refill	83,827	2.19	183,581
28	Armor All Protector, 32 oz	20,115	8.99	180,833
29	Turtle Zip wax liquid car wash, 18 oz	71,998	2.39	172,075
30	Warco Dot brake fluid, qt, 1002	44,221	3.89	172,019
31	Lee oil filter, LF-1	49,128	3.49	171,456
32	AC oil filters, PF-25	42,342	3.99	168,944
33	Quartz halogen driving light kit, clear	5,628	29.99	168,783
34	WD-40 aerosol, 9 oz	64,563	2.59	167,218
35	Armor All Protector, 4 oz	92,285	1.69	155,963

(Continued on page 29)

Over 5,000 "instant winner" prizes in the Phillips 66 Trop-Artic Motor Oil Black & Decker "Clean Machine" Instant Winner Game.

And the prizes are the gold standard for DIYers—Black & Decker tools—including Car Care Kits (with Car Vac™ Car Scrubber, Car Lite and Inflator) and hundreds of other Black & Decker tools and cash prizes of up to $1,000.00.

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So stock up. Because this should have your customers buying through the Trop-Artic stock like hot saws.

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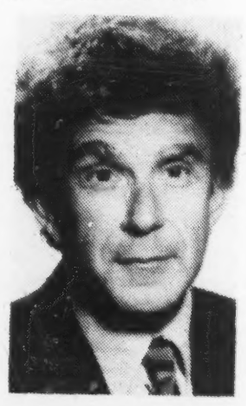
Trop-Artic. It's time for a change.

Here's a promotion that'll really help you clean up.

Winners

Retailers Limiting Supplies

By HERB RECHTER
President, Allied Auto Parts and Auto Accessories



Retailers are looking more and more to wholesalers for their supplies. They are not very confident about the coming year and rather than buy boxcar loads of goods direct from manufacturers, they prefer to buy smaller quantities more often.

Even though interest rates are lower than they were a year ago, retailers are still very careful in limiting their long-term outlays.

I expect 1986 to be a comfortable year for discounters in automotives, with no big growth.

This lack of excitement and growth is also caused by the absence of any new products.

The biggest gainers this year will be the accessories. Items like the third brake light, a federal requirement for all 1986 cars, will be doing well. The Cyclops light, with an average retail price of $18.99, shows up in our Product Movement Audit (PMA) for the first time, although it is still fairly low in the ranking, at No. 90.

Biggest decreases will be in the field of ignition parts. This area is dying out, since more and more cars are equipped with electronic ignition systems. The sharp declines in sales of points and condensers last year will continue.

Over the past year, prices have remained stable. I expect to see only moderate price increases this year.

Imported visors and interior accessories are becoming a more important part of our business. They increasingly are making up for losses in other areas.

Another shift taking place is that people are upgrading their buying habits. They look for better grades of the same products. In accessories, that means an increasing demand for designer goods.

The Motorcraft oil filter has always been among the top sellers; it occupies the No. 1 position in our PMA for the first time this year.

In addition to increased sales for oil filters, other do-it-yourself car care items are doing well, an indication that people are taking better care of their vehicles and are increasingly bypassing expen-

(Continued on page 29)

AUTOMOTIVE

Retailers Buying Cautiously

(Continued from page 28)

sive repair and maintenance facilities.

Examples of items in this category include the bulbs (two on a card at an average retail price of $1.09); they moved into the No. 5 position, up from the middle teens in previous studies. AC spark plugs ($12.09 for a set) showed similar movement, up from places in the 40's and 30's in previous PMAs to 19th position in this study.

Waxes and cleaners remain strong sellers, taking half the top 10 spots in our ratings. The 8-oz. Armor All Protector, at an average price of $2.99, was the top seller in this category.

Compared to last year's Spring Car Care Buy-In study, the volume of items sold during the February-November 1985 period is much lower than the volume for the same months a year earlier.

Discount Auto Sales Seen Flat

(Continued from page 27)

buyer Chad Farthing, "We moved all the truck items from gondolas up onto a wall." They are currently trying to figure out how to adapt that system to other stores. Meanwhile, said Farthing, "We have truck displays in all the stores, and we are stocking deeper in items like reflector shields that are doing well."

Gold Circle is yet another example of a chain trying to hook up with the growing public interest in pickup trucks. Buyer Cheah said that he had increased the area from 16 to 20 ft. stocking especially tool boxes, floor mats and running boards.

In waxes and other exterior care products, buyers say, the trend is back to basics. Fred Caligiure at Glosser has trimmed his assortment of waxes over the past several years, a trend he expects to continue in 1986. "Last year, I cut from two polys to only one," he said. Yet, he expects sales of waxes to keep rising, albeit more slowly. "In 1984, we had a 24% increase; in 1985, it was 15%," he added.

At another East Coast chain, a buyer said, "The times of the high priced waxes are over." This store has basic waxes from $1.99 to $3.99. The only way a more expensive product will sell, according to this buyer, "is through the use of magazine coupons, or if the manufacturer gives 50¢ to $1 rebates right on the package."

Buyers said that accessories for interiors will remain steady with little new.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVE			
	(Continued from page 28)			
36	Roberk 18" wiper blade refill	70,415	2.19	154,208
37	Snap Fix-a-Flat, 12 oz	109,368	1.39	152,021
38	Air-conditioner recharge kit with freon	21,174	6.89	145,888
39	J-Wax kit, presoft paste wax, 12 oz	34,484	4.19	144,487
40	100 QR Rislone oil alloy, 32 oz	51,685	2.79	144,201
41	One piece auto ramp, pair	6,555	21.99	144,144
42	Pylon 16" wiper refills, 1016	65,645	2.19	143,762
43	3,000 lb jack stand, each	26,086	5.49	143,212
44	Prestone heavy duty brake fluid, 12 oz	71,948	1.99	143,176
45	Roberk 16" wiper blades	64,574	2.19	141,417
46	FL400 Motorcraft oil filter	29,660	4.69	139,105
47	Halogen sealed beam, low square, H 4656	12,329	10.99	135,495
48	Champion spark plug RV15YC4BP8 (RBL15Y4)	10,953	12.09	132,421
49	Antenna spring with booster, 45"	14,726	8.99	132,386
50	Pylon 18" wiper refills, 1018	60,403	2.19	132,282
51	Window film kit, smoke 20"x5'	27,451	4.79	131,490
52	Warco Dot brake fluid, 12 oz, 1001	87,239	1.49	129,986
53	15" wire wheel cover, each	6,649	18.99	126,264
54	Auto bulbs, 2 on a card, 194	113,053	1.09	123,227
55	CD-2 oil detergent, black label	51,450	2.39	122,965
56	Auto bulbs, 2 on a card, 1157NA	77,306	1.59	122,916
57	Lee oil filter, LF-25	31,330	3.89	121,873
58	Multiservice grease, 14½ oz	87,267	1.39	121,301
59	Snowite Lite-N-EZ kit, qt, 3305	24,309	4.99	121,301
60	C-16 Bars leak, 12 oz (80)	55,088	2.19	120,642
61	Lee oil filter, LF-40	29,987	3.99	119,648
62	Super Hard Shell liquid, 12 oz	38,831	2.99	116,104
63	Prestone Super Flush, 22 oz	35,160	3.29	115,676
64	6 amp battery charger, SE 86	3,853	29.99	115,551
65	AC oil filters, PF-35	28,881	3.99	115,235
66	E43Z-12A297A DY425 module	1,567	68.83	114,747
67	DL hand cleaner, blue label, 14 oz	88,292	1.29	113,896
68	Roberk 18" wiper blades	51,981	2.19	113,838
69	Top Post HD terminal, 1/CD, B101BP	114,266	0.99	113,123
70	AC spark plugs, R45TS TB8	9,352	12.09	113,065
71	Blue poly paste sealant, 16 oz	11,270	9.99	112,587
72	Turtle Minute wax, 18 oz	18,789	5.99	112,546
73	Chamois, 4½ sq ft	12,386	8.99	111,350
74	14" wire wheel cover, each	5,793	18.99	110,009
75	Westl Bleche-Wite-Liquid, 32 oz	32,426	3.39	109,924

Source: These automotive figures, covering February-November 1985, were supplied by Allied Accessories and Auto Parts, Madison Heights, Mich. Allied services over 2,500 retail outlets throughout the United States, 98% of which are discount store auto departments.

Acme Brush Corporation...

Job Rated™ Program

THE LOOK OF SUCCESS IN BRUSH AND ROLLER MERCHANDISING

QUALITY DECISION

Paintbrushes—Three distinctive qualities of Job Rated™ Best, Job Rated Better, and Economy. Each quality contains ingredients and formulations designed for performance to that quality. All synthetic brushes in this program are made of Excel-R,™ the first new filament in over a decade. Not only is it new, but the feel is superior to other products on the market. The extra length and fullness make all Excel-R paintbrushes superior performers.

Paint Rollers—Two qualities of paint rollers Job Rated Best with 7 SKUs, each for a specific surface, and one Economy SKU for latex flats.

THE BUYING DECISION

Each quality and end-use product line has different-colored packaging with vivid descriptions to quickly identify the quality of the product and the end painting use that it is designed to perform for the consumer.

The total concept of this program is to sell the customer up to Job Rated Best quality in paintbrushes and rollers. It is designed to provide your customers with ease of selection by quality and end use. It will enhance your turns, gross margin, and profit of the total paintbrush and roller program in all your store locations.

ACME BRUSH CORPORATION • Wooster, OH 44691-0227

Ask for more information on Princess of Power™ licensed products from these key manufacturers:

Apparel/Accessories
Pagoda Trading Co.
(314) 434-9553
Bates Nitewear, Inc.
(919) 292-8111
Howard Eldon, Ltd.
(213) 873-7711
Elkay Industries
(212) 560-7800
K&J Marketeers
(609) 641-5931
Lee Company
(212) 244-4440
Nelsonic Industries
(718) 361-7720
The Obion Company
(212) 653-6070
Union Underwear
(502) 781-6400
Kessner & Rabinowitz
(212) 564-7030

Publishing/Stationery
Panini, U.S.A.
(212) 308-9260
Hallmark Cards, Inc.
(816) 274-5021
Unique Industries
(800) 523-3846
Western Publishing Co.
(414) 631-5133
Gordy International
(201) 257-7272

Health/Beauty Aids
DuCair Bioessence, Inc.
(201) 869-9870

Home Furnishings/Housewares
Aladdin Industries
(614) 748-3000
Burlington Industries
(212) 621-3791
Chatham Mfg.
(919) 835-2211
Chein Industries
(609) 386-2800
Chilton-Globe
(414) 682-8175
Ero Industries
(312) 647-0700
Franco Mfg.
(201) 494-0500
Peter Pan Fabrics
(212) 840-8200
MarshAllan Products, Inc.
(216) 631-2400
Tiger Electronics
(312) 949-8100

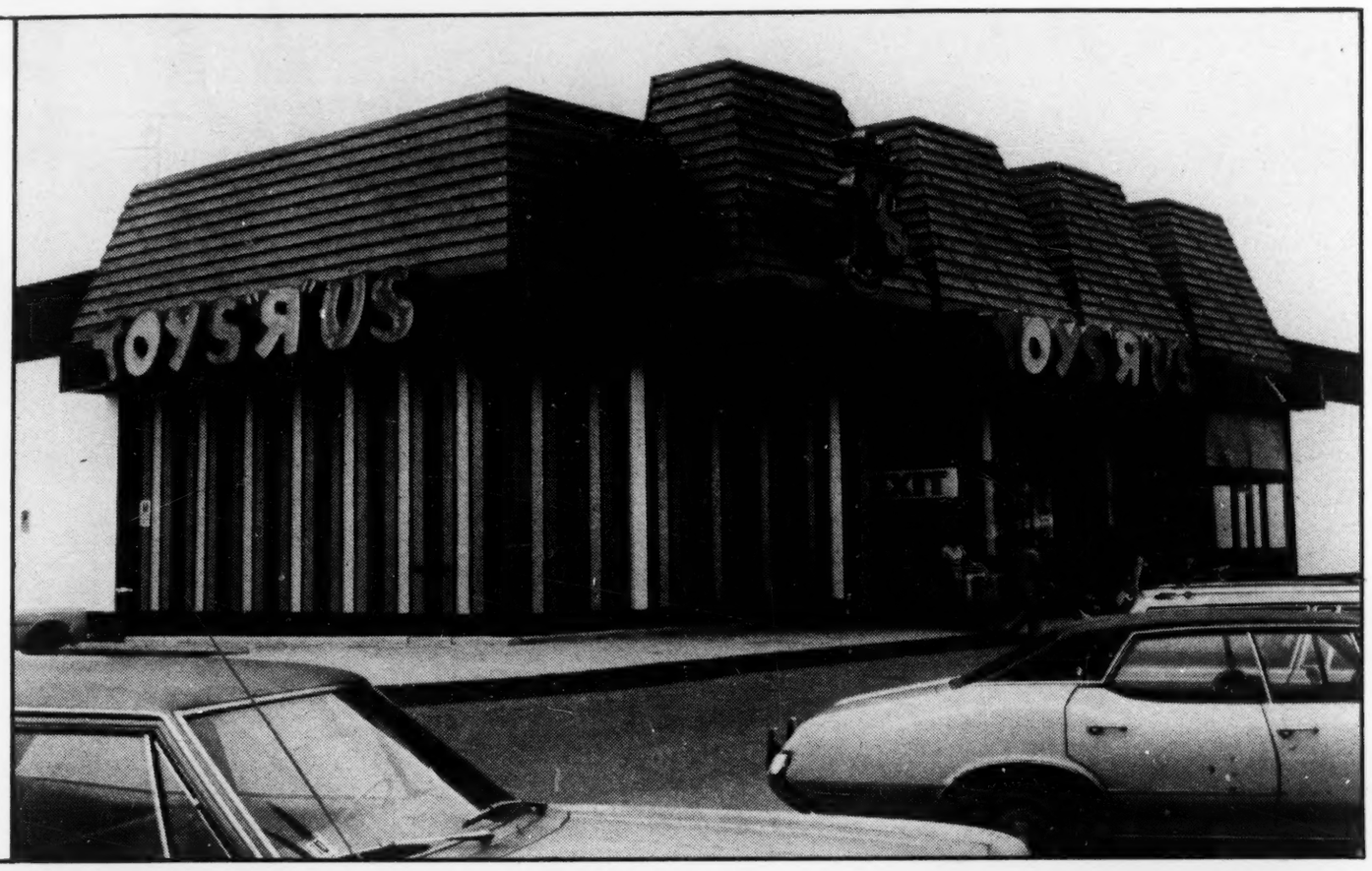
Sporting Goods
Brookfield Athletic Shoe Co.
(617) 867-7406
Roadmaster Corporation
(618) 393-2991

Toys/Games
Colorforms, Inc.
(201) 327-2600
Ben Cooper, Inc.
(718) 499-7025
Dri-Mark Products, Inc.
(516) 484-6200
H.G. Toys
(818) 704-1515
Janex Corp.
(201) 229-8482
Nasta Industries, Inc.
(212) 929-8085
National Latex Products
(212) 989-1240
Spectra Star Kites
(818) 897-2979
Synergistics Research Corp.
(212) 989-9707
Viewmaster International
(503) 644-1181

LICENSING

TOY CHAIN CENSUS

The 233-unit chain has been fine tuning its basic strategic plan to hit its goal of 25% market share by the year 2000.



At TRU, Change Is the Name of the Game

ROCHELLE PARK, N.J. — Complacency is not in the Toys "R" Us (TRU) vocabulary.

As the toy retailing giant crosses over the $2 billion sales transom, there are absolutely no signs of a let up. On the contrary, TRU is moving, full speed ahead, toward its once-thought lofty goals of over 25% market share (by the year 2000) and over $5 billion in sales (before the end of the decade).

The 233-unit toy merchant, however, has made several fine-tuning adjustments to its basic strategic plan in order to hit these targets. Sharpening its well-known everyday low prices, supporting it with stepped-up promotional activity and entering two new markets a year appear to be subtle changes for the chain. But they each represent a departure—from passive leader back to hungry fighter. As one industry analyst said, "TRU is proving that you can fix what isn't broken."

Tinkering with its often-copied everyday low pricing policy and supporting it with an uncharacteristic rush of promotional activity were two moves that would have seemed taboo a few years ago. But given last year's sluggish retail environment, TRU felt the time was right—to increase its already industry-leading 15% share of U.S. toy sales while reinforcing its recently tarnished reputation as the lowest price in town.

The chain is about to launch its own magazine—with puzzles, games, articles and ads—to be distributed in all its stores.

Other market factors helped force TRU's hand. There was a dearth of hot new product introductions and no replacements for faltering, high-ticket stars Cabbage Patch and Trivial Pursuit. In addition, home computer sales and related accessories, once 17% of TRU's total volume, slowed to a trickle of its former volume.

TRU's overall competition produced two separate pictures—toy specialty chain pressure and a void in the discount marketplace. Child World and Lionel, its primary toy supermarket rivals, both emerged from their own difficulties (Child World went public again; Lionel came out of Chapter 11) to become stronger retail threats.

On the other hand, department stores were abandoning the category and discounters, despite their talk of a year-round sales orientation,continued to gear up only for the fourth quarter barrage.

Although Christmas '85 results were unavailable at presstime, several industry analysts said TRU's price cutting combined with increased advertising in the fourth quarter helped the chain achieve its annual 30% sales increase, to approximately $2.2 billion, without slicing into its 30%-35% annual increase in net earnings.

TRU's price slashing and overall more promotional posture are expected to continue this year as the chain tries to regain its upper hand (as well as becoming image-honest) from discounters who have routinely undercut TRU's pricing.

The chain broke from its one-market-per-year expansion pattern by debuting last year in upstate New York and the Carolinas.

As for promotional activities, the chain is about to launch its very own magazine, to be distributed in all of its stores. The book will include games, puzzles and articles for children as well as ads from toy manufacturers.

With TRU continuing to adapt to the changing retail

(Continued on page 36)

Toy Specialists Battle for Swelling Market Share

(Continued from page 3)

two new markets—Cleveland, following Lionel's entry last year, and Montreal, the chain's second major excursion into Canada. In all, TRU will open 50 new toy stores this year and 20 new Kids "R" Us units, its off-price children's apparel offspring. In addition, TRU will continue its assault abroad with added units in England, Singapore and the Middle East.

TRU made its fine tuning adjustments for two primary reasons—to capitalize on an overall sluggish retail scene and to turn the heat back on its primary supermarket competition, Child World and Lionel.

Indeed, both Child World and Lionel have emerged from their own respective difficulties to give TRU a run for the supermarket money. Child World—after entering a revolving door of going public, then private and then public again—has crossed the half billion dollar sales plateau and will open 16 new stores this year, bringing its total to 136.

Lionel, finally shedding its Chapter 11 albatross, will also launch its first full wave of new stores this year. Although new markets were not disclosed at presstime, the chain will open 10 new stores in 1986. Last year, Lionel opened three units right before the Christmas rush.

But the toy action is expected to be fiercest at the mall level. Segment leader Kay Bee, nearing 600 units, will feel the Greenman Brother toy empire breathing down its neck this year. Although Kay Bee opened 50 stores last year and will open 50-60 stores this year, Greenman Brothers made a stronger impact.

With its most recent acquisition of 190-unit Circus World added to its stable of Playland (acquired in 1982) and Playworld, Greenman's toy retailing operation, now numbering 310 stores, will give Kay Bee its first real taste of nationwide mall competition.

Other regional mall toy operators, including K&K and Karl's Toys, will be making less ambitious forays into the marketplace this year. K&K, with 96 stores in 15 states, primarily in the Southeast, will open a "handful" of mall units while it continues its push into factory outlet malls. Avoiding the flow of its traditional competition, K&K's three factory outlets, ranging in size from 3,500 sq. ft. to 4,000 sq. ft., offer primarily closeout goods.

Kay Bee has also been experimenting with its own brand of outlet, Toy Works, so far, two stores in Connecticut. In addition to offering older, closeout merchandise, Toy Works also carries larger items like bicycles and infant furniture, items that cannot be merchandised in the typical Kay Bee unit. The future expansion of Toy Works is currently under consideration, according to the chain.

Indeed, ducking the competition might be the safest of all toy retailing routes. Mall stores typically avoid TRU and other toy supermarkets. Now outlet stores are eluding the mall competition.

Toys Plus, a 20-unit chain based in St. Charles, Mo., takes the evasion tactic one step further. Many of its 12,500-sq.-ft. units are located in small towns like Wichita Falls, Tex., and Monroe, La., where they're the only game in town. How long this strategy will work remains to be seen, given the overall, competitive toy retailing climate.

Cumulative Markup %

Categories	Discount Stores	Department Stores
Women's dresses	46.8%	51.2%
Women's coats & suits	47.7	51.3
Lingerie, robes & sleepwear	44.2	52.1
Men's wear	42.5	50.6
Girls' wear	45.3	51.4
Boys' wear	42.6	48.9
Infants' wear	37.2	49.9
Domestics	39.7	46.5
Housewares	37.4	44.1
Traffic appliances	28.5	26.0
Sight/sound appliances	24.8	30.6
Toys	32.8	40.0
Drugs & cosmetics	24.4	39.1
Stationery & greeting cards	42.9	45.3

Source: NMRI's 1984-85 Mass Retailers' Merchandising report; NMRA's 1985 MOR report.

Gap Narrows in '85 Results

(Continued from page 2)

robes and sleepwear, the gap fell to 9.4 percentage points from 13 percentage points.

Other apparel categories also showed narrowings of the spread. In men's wear, the difference showed a small drop to eight percentage points from 8.8 percentage points, while a similar slight dip occurred in boys' wear, down to five percentage points from 5.9 percentage points.

However, in girls' apparel, the gap sharply narrowed to 6.2 percentage points from 8.8 percentage points, while infants' wear closed to 14.2 percentage points from 15.3 percentage points.

Apparel specialty stores have been capturing a growing share of the clothing business and conventional department stores' response is to become more aggressive in their pricing. The result is that these retailers now often offer apparel, especially during sales, at prices that are right in line with the tags found in discount stores.

While conventional department stores' prices in the clothing areas are being impacted by greater markdowns and sharper ad prices, discounters have been going the opposite way; trading up and boosting their markup, so that their gross margins tend to be higher even after higher markdowns.

Similar trends to a narrowing of the merchandise performance gap was evident on the hard goods side, once the area where conventional department stores made little attempt to compete—on a price basis—with discounters.

Discounters have turned to hard goods for additional profits to offset the dollars lost in apparel due to increased competition in clothing.

In traffic appliances, conventional department stores' gross margin was actually under that of discounters. In toys, the gap went down to 5.5 percentage points from 8.8 percentage points.

In instances where the gross margin gap in a category widened, the increase tended to be small; in stationery and greeting cards, the spread went to 1.7 percentage points from 0.8 percentage points, while in housewares it went to 8.2 percentage points from 6.1 percentage points. In domestics, the differences went to 8.5 percentage points from 8.3 percentage points.

The comparisons between discounters and conventional department stores were for all firms that reported in the NMRI study and the listing for conventional department stores with sales over $100 million in the NRMA report.

K mart Plans In-Store Bank Expansion

(Continued from page 3)

First Nationwide Savings pays a minimum monthly rental plus an undisclosed percentage of its volume at each location.

K mart banks are averaging $17,000 per customer (primarily in certificates of deposit) said Hartman, or more than twice the national average of $7,000-$8,000 per bank customer according to the U.S. Savings and Loan League.

An interest rate ¼%-½% above the market rate is offered at the K mart branches of First Nationwide, according to Steve Johnson, director of Corporate Communications for the bank. Johnson said conducting business through K mart stores saves the bank money because it doesn't have to invest in building a conventional bank branch. The higher-interest rate is a way of passing on that saving, Johnson said.

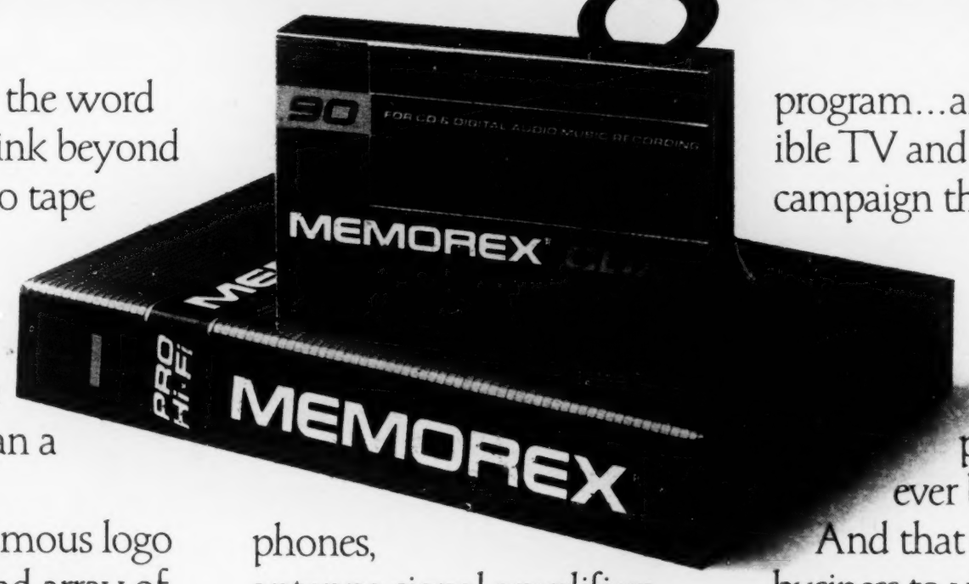
All of the in-store banks are open at 10 a.m. and close at 7 p.m. three nights a week and 9 p.m. the other three nights.

Inside each branch is a counter for noncash transactions (all cash is given and received through the ATMs) and a sit-down area where the customer can talk about investments with a financial services representative.

In addition to the California in-store banks, K mart stores house three Standard Federal Banks in Texas, four First Federal of Michigan banks in Virginia and 29 Standard Federal banks in Florida.

First Nationwide Savings is the first nationwide banking network with 26 members in 22 states. K mart chose to work with this company to maintain continuity of product and performance.

It takes more than tape to hold your profits together.



When you hear the word "Memorex,"® think beyond the famous audio tape that shattered glasses. Because, with us, the Memorex name has come to mean a lot more.

Today, that famous logo appears on a broad array of top quality consumer electronics products that can mean big, profitable business to you. Seven different video tapes. Alkaline and

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And that can mean big business to you. Easy business. Profitable business.

With a line of products that mean business.

Sure, it's okay to think of "Memorex" as the tapes that can break glasses. But you can count on Memorex products to help you break your sales and profit records, too.

"IS IT LIVE, OR IS IT MEMOREX?"®

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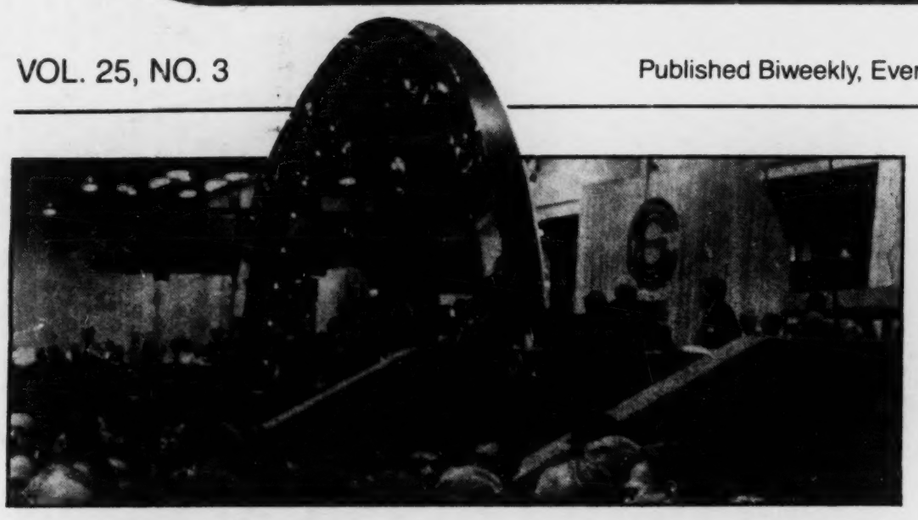
C5150-3

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 25, NO. 3 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | February 3, 1986



Chain buyers attending the recent Consumer Electronics Show in Las Vegas were searching for step-up pieces on last year's star items.

CES Holds No Surprises For Electronics Buyers

By LARRY CARLAT

LAS VEGAS, Nev. — Last month's Consumer Electronics Show tasted like day old bread.

Many major manufacturers chose to hold back new product introductions until this June, offering, instead, warmed-over product extensions of last year's standouts.

In addition, the usual bevy of backroom manufacturer presentations that preview future products to select major accounts, were also kept to a bare minimum, according to several chain buyers interviewed.

Variations on the same themes were the orders of the day in 8mm, camcorder, CD (particularly the broadside launch of portables), stereo TV, stereo and hi-fi VCR and A/V systems.

An injection of fashionable pastel colors for both audio and video products was also widespread, standing alone as the predominant marketing strategy seen at the show.

The overall lack of innovative marketing savvy disturbed many chain buyers who are wary that the CE gravy train, led by VCR's and CD's, is about to be derailed. Increased pricing, slackening demand, increased competition and an overall glutted market are major concerns for buyers this year and many don't see viable solutions coming from the manufacturer end.

(Continued on page 57)

Service Merchandise to Open Expanding CE Retail Areas

NASHVILLE — Faced with increased competition from specialists, Service Merchandise is both expanding and giving more visibility to its consumer electronics departments in several showrooms.

The program, which started late last year and has been included in seven locations to date, includes nearly doubling the size of the "Sight & Sound" department from 1,600 to 3,100 sq. ft., and installing three separate entrances into the section from other parts of the showroom. Normally, there is a single access point through which to enter and leave the area.

In addition to that program, at least three showrooms are slated to be fitted with consumer electronics "superstore" departments by late summer. Those areas would include expanded assortments in several key categories, including some lines that aren't seen in catalog showrooms.

The more modest expansion program is slated for at least seven more locations by the end of this year.

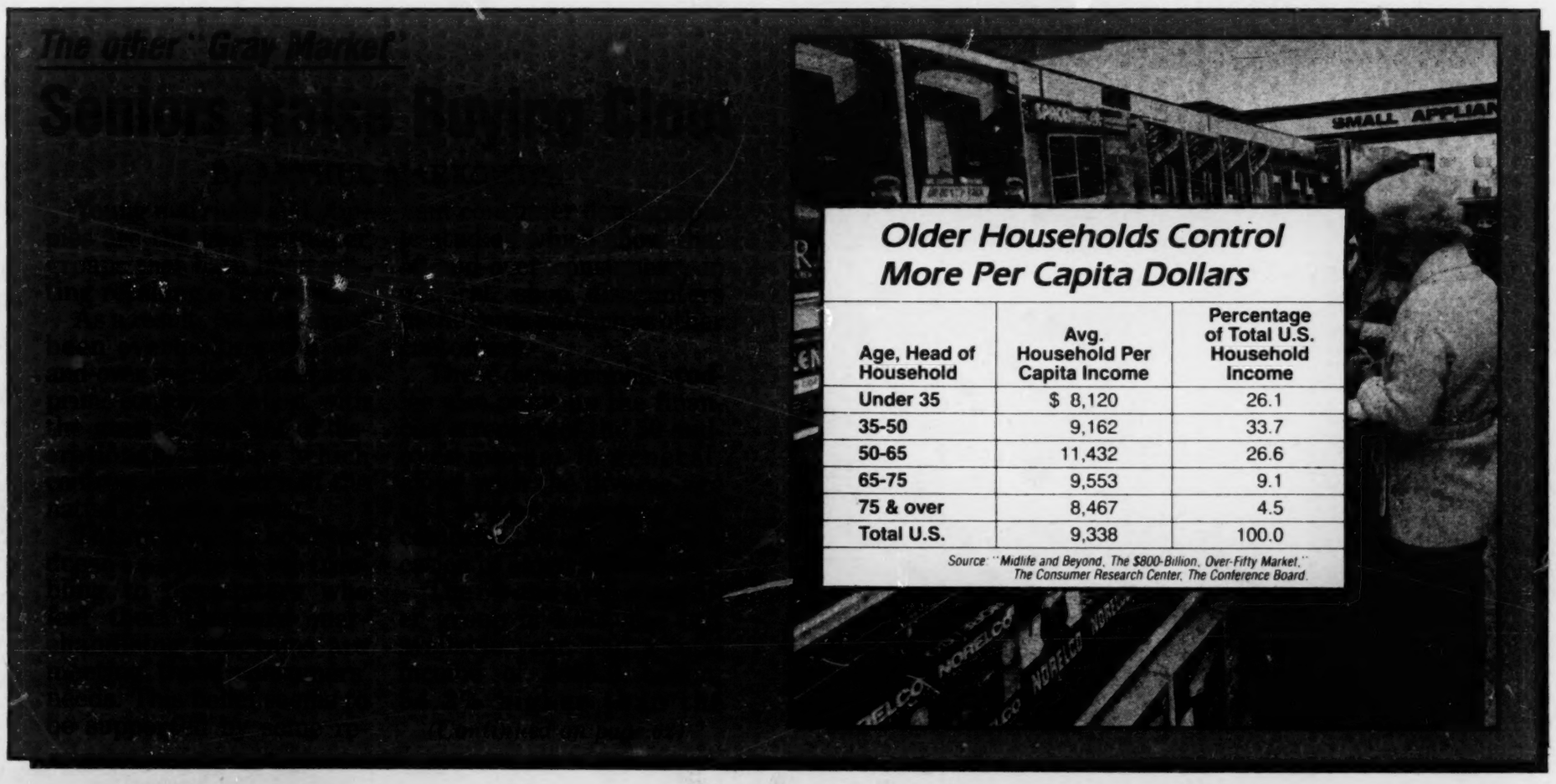
Frank Bisceglia, senior vp, merchandising, said the electronics expansion is the product both of specialty competition and the company's desire to promote to the consumer the "department that's growing at a faster rate than any other department."

Sources within the consumer electronics industry estimate that Service Merchandise had electronics sales of approximately $700 million in 1985, not including those generated in stores acquired from Ellman's and H. J. Wilson. For the year ended Dec. 29, 1984, the company had total sales of $1.66 billion.

One Service executive acknowledged that by emphasizing consumer electronics, Service would be promoting a category that is notoriously light on profitability. "However," he said, "you're dealing in a very large dollar base, and at a certain point it makes a lot of sense for profit dollars."

The additional acreage given to the electronics sections in the showrooms is being carved from warehouse space and is not causing any other department to be cut back,

(Continued on page 57)


The other "Gray Market"
Older Households Control More Per Capita Dollars
Age, Head of Household | Avg. Household Per Capita Income | Percentage of Total U.S. Household Income
Under 35 | $ 8,120 | 26.1
35-50 | 9,162 | 33.7
50-65 | 11,432 | 26.6
65-75 | 9,553 | 9.1
75 & over | 8,467 | 4.5
Total U.S. | 9,338 | 100.0
Source: "Midlife and Beyond, The $800-Billion, Over-Fifty Market," The Consumer Research Center, The Conference Board.

IN BRIEF

■ **ZAYRE CORP.** has promoted John Levy to the new post of senior executive vice president, merchandising, distribution and systems, of its Zayre Stores division. Succeeding Levy as senior vice president and general merchandise manager, merchandising, is Raymond Wysocki, who had been vice president and senior merchandise manager.

National Co-op Advertising Study— Page 27

Hayes, Smailes Head Federated Unit

WORTHINGTON, Ohio — Federated Department Stores' announcement last week that it will merge its Richway and Gold Circle divisions came sooner than the company wanted, driven by a leak to a daily newspaper. As a result, at presstime there was still uncertainty at both companies over the makeup of the combined division's merchandising and operations management.

The top tier of management, however, has been set. Peter Hayes, who has been chairman and ceo of Gold Circle for the past year, will hold the same positions for the new, larger entity which will be headquartered here. Jack Smailes, president of Richway, becomes vice chairman of the division, while Gold Circle president Robert B. Glass holds the same title in the new structure.

Richway stores will continue to operate under that name.

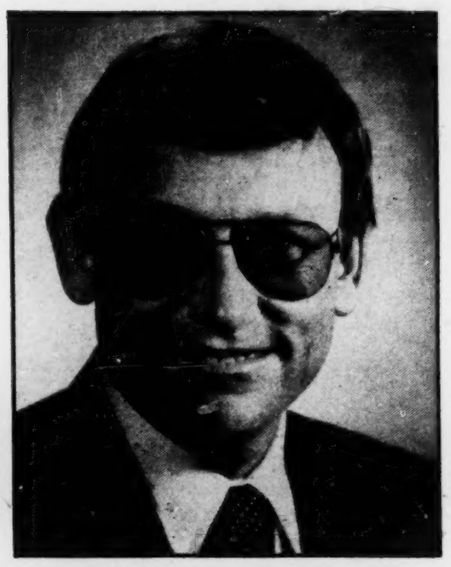
John H. Weitnauer, according to a company release, "will assist in the transition," and will have a "continuing role" with Federated.

The new, combined division will report to Norman Matthews, Federated vice chairman and former chairman of Gold Circle. The divisions had previously reported separately to Matthews.

The combination of Richway and Gold Circle, a move that had been foreseen by many industry observers, creates a 76-store entity with sales of over $1 billion. Gold Circle operates 45 stores in Ohio, Kentucky and upstate New York with sales of $628 million in the year ended January 1985. Last month it closed down five stores it had been operating in the Pittsburgh.

Richway has 31 stores in Georgia, Florida, North Carolina and Tennessee and had sales of $432 million in the fiscal year ended January 1985. The chain had slated five new store openings for 1986.

Russell A. Hansen



James E. Berk

2 Warehouse Clubs Appoint Top Execs

Nationwide DSN Report

Two leading membership warehouse clubs have appointed top executives, both with ties to the discount store field:

■ The Chicago-based Warehouse Club named Russell A. Hansen vice chairman and chief operating officer. Hansen, who most recently held the position of chairman of Cook United, also spent 35 years with K mart in a variety of positions, including director, and executive vice president, merchandising.

The appointment reunites Hansen with former K mart executive, Walter H. Teninga, the company's chairman and chief executive officer. Teninga had served several years ago as vice chairman and chief financial and development officer for K mart.

■ James E. Berk was named president and chief operating officer of the Indianapolis-based Wholesale Club, as well as director of that company's board of directors. He replaces Arthur L. Coller, who will remain on in a consulting capacity.

Berk, who most recently was senior vice president at Norwalk, Conn.-based Caldor, had also held positions with Otasco Inc., Western Auto Supply Co. and Midland International Electronics.

The Warehouse Club also announced the appointment of Douglas W. Harden to vice president, real estate, responsible for the company's real estate and construction. He was previously director of development for Hardee's Food Systems Inc., Rocky Mount, N.C.

Target to Start Programs To Pare Health Care Costs

NEW YORK — This summer, Target intends to initiate several new programs aimed at paring 1986 health care costs to the 1983 level of 2.6% of payroll.

The chain's plan includes a hospital utilization review program, which will force employees to be more responsible for holding down the cost of their own medical care, and the use of a new computerized payroll and personnel system, which will help the chain design benefits programs more tailored to its employees' needs, said Larry Gilpin, senior vp, personnel at Target.

Gilpin said the moves were part of ongoing efforts begun in 1982 to contain ever-rising medical costs. Results of past measures, like increasing plan deductibles and tightening controls on in-patient mental illness care and other high-cost expenses, are expected to become apparent only this year. Last year, Target's health care costs, as a percentage of payroll, came to 2.8%, and for 1984, to 2.7%.

Gilpin, who spoke along with several other Dayton Hudson Corp. executives at the National Retail Merchants Association's annual convention here last month, said the chain's contribution toward employees' medical coverage will total approximately $11 million this year.

Target, which currently offers employees three levels of coverage and the use of eight Health Maintenance Organizations (HMOs) throughout its market areas, will unveil the hospital utilization review program in July. (HMOs offer unlimited coverage for a fixed membership fee.)

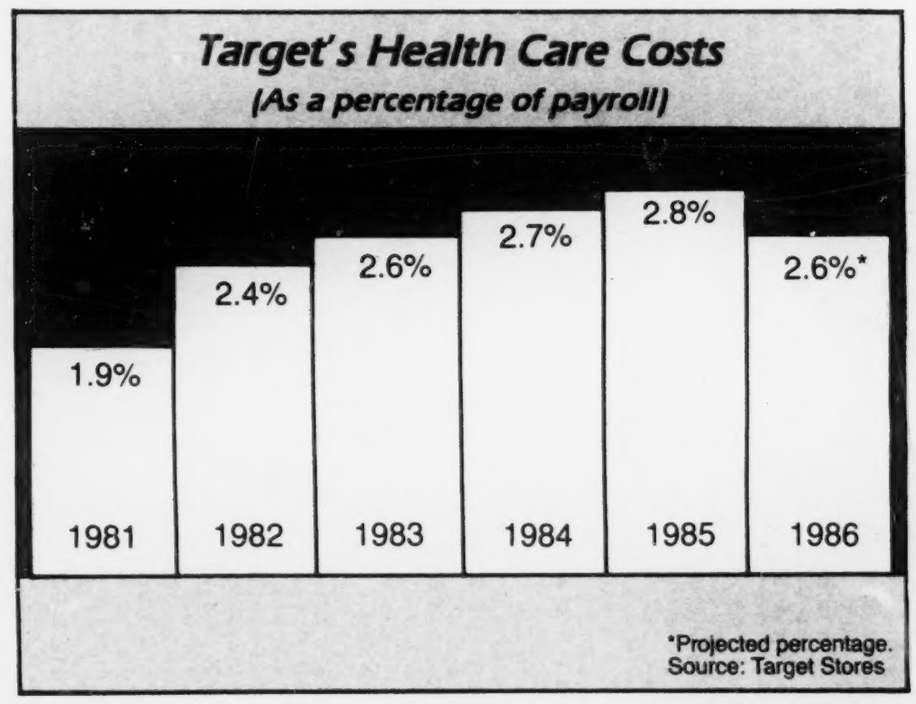
Gilpin said the program, through the aid of an outside agency, will entail a review of estimated hospital and physician charges before treatment and will require that employees seek second opinions on surgery and undergo preadmission testing on an outpatient basis. The agency will also challenge what appear to be unreasonably steep bills after treatment is completed.

Gilpin said Target is still considering making outpatient surgery a part of the program and is deciding what kind of reduced copayment penalty employees will be subject to for refusing to cooperate with these cost-saving alternatives.

Before the program begins, though, "we'll conduct employee focus groups at store locations to insure that our people understand why and how this program will work and what their responsibilities will be for keeping costs down," said Gilpin.

Also, he said, "as we look to the future, our ultimate goal is to offer employees more flexi-

(Continued on page 62)



Justice Brief Supports Parallel Imports

WASHINGTON — Justice Department officials have urged the Supreme Court not to disturb the long-standing policy of the U.S. Customs Service allowing discounters to "parallel import" foreign merchandise on the so-called "gray market."

In a brief opposing efforts by Vivitar to overturn the agency's pro-gray market regulations, Justice attorneys argued that those Customs Service rules represent "a reasonable interpretation" of the federal trademark law.

The Vivitar case—the first in a series of legal disputes over parallel imports to reach the high court—focuses on Customs' practice of refusing to exclude unauthorized imports of genuine foreign-made goods.

The controversy surrounds Customs' practice of refusing to protect U.S. subsidiaries of foreign firms from gray market imports.

Both the Court of International Trade and a federal appeals panel upheld the agency's regulations, and now the Japanese photographic equipment manufacturer is asking the Supreme Court to reverse.

A ruling in favor of Vivitar would effectively shut down key off-shore supply sources for the discount store industry and raise prices to American consumers by hundreds of millions of dollars annually, according to advocates.

Although Justice urged the court to ignore Vivitar's appeal, the department stopped short of expressing any vigorous support for gray market importing practices.

Instead, federal attorneys suggested that the Supreme Court wait for future cases to emerge testing the validity of Customs' parallel import regs.

At least two such cases (one involving Olympus cameras and another filed by the Coalition to Preserve the Integrity of American Trademarks) are currently on appeal and could reach the high court this year.

Chains Aim for Super Buys

The old discounter image of a $3.99 basketball is dead; higher ticket (over $20) items like these at Gemco, Rowland Heights are becoming the rule at chains nationwide. Sports' retailers will be playing ball with more manufacturers than ever, over 2,500, at the first annual Super Show in Atlanta this week. Show coverage starts on page 13.

Cataloger in Chapter 11

Boardman Shuts Unit, Gets Bank O.K.

ALBANY — Following its recent Chapter 11 filing, Boardman Ltd., the 13-unit cataloger based here, has reached a repayment agreement with Chemical Bank, its only secured creditor.

Chemical's refusal to renew the company's line of credit had driven Boardman to file for protection last month in New York's Northern District, according to attorney Peter Pastore of McNamee, Cochner, Titus & Williams, representing Boardman.

The company also is closing its Troy, N.Y., showroom, one of the 13 existing units. No other closings were planned at presstime.

The 20 largest creditors, which include General Electric, Casio Inc., Eureka Co., Black & Decker Housewares, Sunbeam and Panasonic, have been notified and are expected to form a creditors' committee by next month.

Part of the company's obligations to Chemical Bank is in the form of a $100,000 installment note that will be paid out over the next 10 years. Boardman will pay a monthly interest fee and $40,000 annually.

The company also owes the bank $61,600 on $70,000 credit for a computer system. The balance was due at the end of January 1986. That deadline has been extended until January 1987, and $5,133.33 toward the principal will be paid monthly.

Over a three-year period, all unsecured creditors will be repaid at a 70% dividend rate, Pastore anticipated.

The company reported sales of $18.6 million for the year ended July 31, 1985, with losses of approximately $676,000.

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Co-op Reigns Where Brands Are King

Discounters—and their suppliers—are using co-operative advertising to fuel sales of traffic-building brand name merchandise, particularly in hard lines. While vendors say the programs are clearcut, most major retailers say there's room to bargain.

Nationwide DSN *Report*

The pool of co-op advertising dollars has turned into a flood over the past decade-and-a-half, shooting from just $900 million in 1970 to $10 billion last year, estimates the National Association of Broadcasters.

For discounters, the importance of co-op depends on the merchandise category. It plays virtually no role in discounters' domestics promotions and only a small part in ads for apparel—mainly in branded staples like jeans and underwear, with some dollars available in other categories.

In hard lines, however, the co-op star shines brilliantly, with discounters—especially the major chains—using almost every cent offered by manufacturers in housewares, hardware, toys, sporting goods, auto and consumer electronics.

Though executives of both retail chains and manufacturers on the record play up compliance with published vendor programs, off the record they acknowledge that producers are ready and willing to tailor promotional allowances to specific retailers' needs, especially those of the tonnage volume merchants.

Manufacturers' flexibility on co-op programs follows two distinct patterns: Large companies with well-known brands tend to be sticklers, while smaller firms with lesser known logos are more amenable to retailers' requests.

At the same time, co-op flexibility is a hallmark of producers in highly competitive categories like consumer electronics, as manufacturers go all out to buy and maintain a share of those markets. In more mature categories like housewares and traffic appliances, the handful of manufacturers that dominate the business are under less pressure to stray from their programs.

The Co-op Pot Gets Bigger

Year	Available Vendor Co-op (billions)
1970	$ 0.9
1978	4.0
1980	6.0
1985	10.0

Source: National Association of Broadcasters

No matter how discounters obtain their co-op allowances, the industry is close to, if not using, 100% of the available money that contrasts sharply with all retailers 65% usage of funds generally cited in industry reports.

A brief overview of discounters' specific co-op activities shows the following:

- Net-net is the way of life in domestics, with discounters passing up the co-op programs that are available from the few manufacturers that make such allowances available. The need to be as sharply priced as possible in ads is the reason for the interest in net-net, the retailers said.
- Discounters are highly interested in apparel co-op al-

(Continued on page 40)

Consumer Electronics

NATIONAL CONSUMER & CO-OP ADVERTISING STUDY

Chains Move Toward Flexibility

$399
JVC 19" Color TV with Remote Control. 142 channel cable ready electronic tuner. On screen display shows volume, channel and sleep timer setting. Full function remote control. (C-2065) Reg. 449.95
$299
JVC 13" Color TV with Remote Control. 108 channel cable ready electronic tuner. Full function remote control. Multiple on screen digital display. Sleep timer for worry free shut-off. Tinted glass screen. (C1465) Reg. 329.95
Lenoxx
59.88 Lenoxx Portable AM/FM Stereo Cassette Player/Recorder. Detachable speakers. Records directly from radio or live with built-in microphones. AC/DC operation. (772) Reg. 69.95
JVC
$399 JVC Deluxe 4 Head VCR with Remote Control. Simple one button recording. All purpose digital counter. Clock, tape counter, elapsed
JVC T-120 Standard Videocassette Tape. Reg. 6.99 Now 5.88
AT&T
49.88 AT&T Trimline® Telephone. Wall or desk. Fully modular. Easy to install. Hearing aid compatable.

December Harts circular relies heavily on the kind of brand name identification predominant in consumer electronics. Many such ads are paid for from co-op.

(Continued from page 39)

In the past, according to several buyers, a co-op deal was an added element to entice retailers to pick up a new line.

For the most part, discounters and CE specialists do not add a number of new CE vendors every year, choosing, instead, to establish long term brand name continuity.

"I like to choose what I advertise. I'm not going to make a significant inventory investment in a product just because that company will give me co-op dollars. In fact, I'll get better deals from my continuity vendors because we'll do much larger numbers with our established names," noted one buyer.

Co-op Ads

(Continued from page 27)

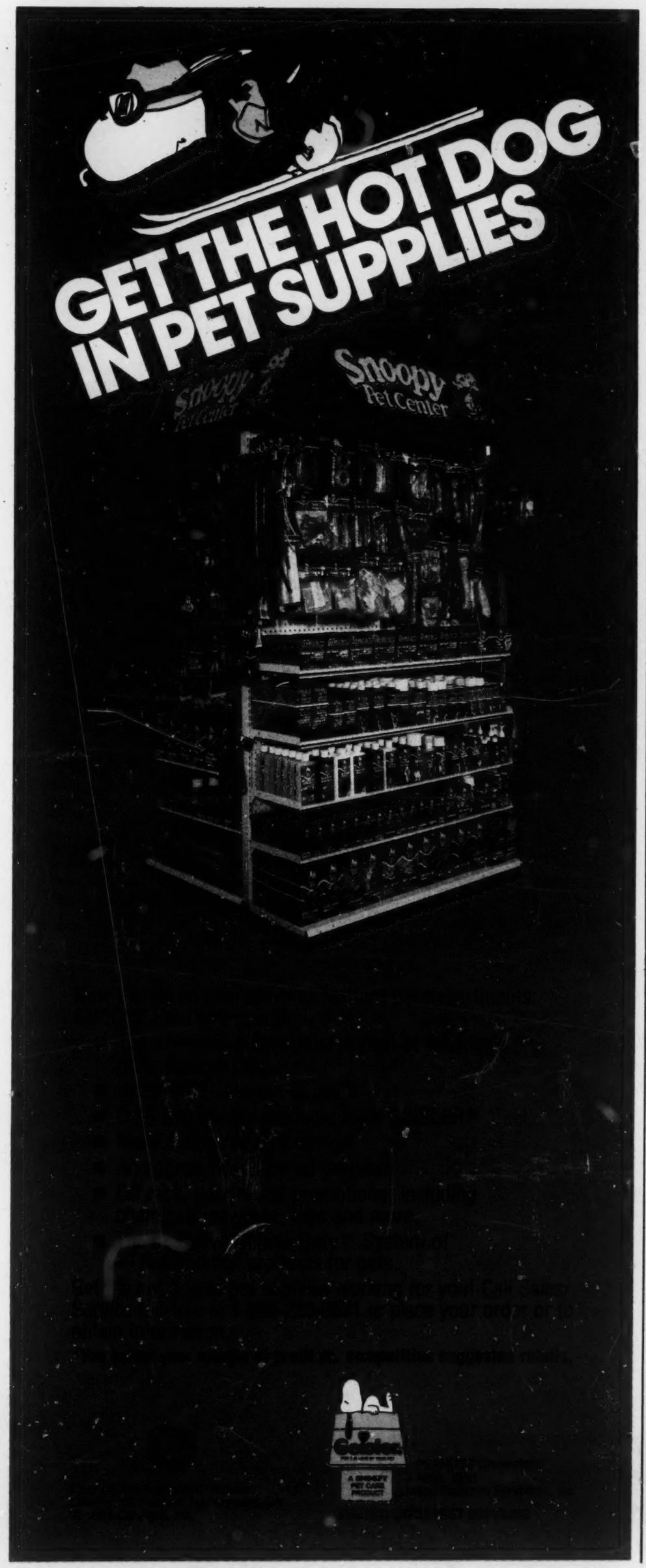
lowances; they use as much money as they can from the major vendors in branded staples. These are the only vendors to consistently offer programs. Promotional funds from smaller vendors have to be searched out.

- Consumer electronics manufacturers generally offer highly flexible programs specifically tailored to each chain so that discounters can allocate the dollars where they feel they need it most—for ads, net pricing or applied directly to the bottom line.

In housewares and hardware, two mature hard lines areas, manufacturers have stringent programs that discounters tap to the fullest. The result is that co-op advertising for these categories is the backbone of discounters' ad efforts, often allowing chains to, at the very least, break even on promotions, including those with limited co-op supported areas like domestics and apparel.

The low profit of advertised auto items—and the red ink for goods like motor oil—has forced discounters to seek out all available promotional money to recoup ad costs. This means chains use all the co-op dollars they can get while also tailing promotions to take advantage of manufacturer incentives: Those calling for specific merchandise to be featured at a specific period.

Discounters' extensive use of co-op dollars whenever available hasn't lessened chain interest in having manufacturers offer promotional allowances in as flexible a manner as possible. Deducting allowances from inventory and applying the funds for net pricing are among the goodies discounters want to sweeten co-op.



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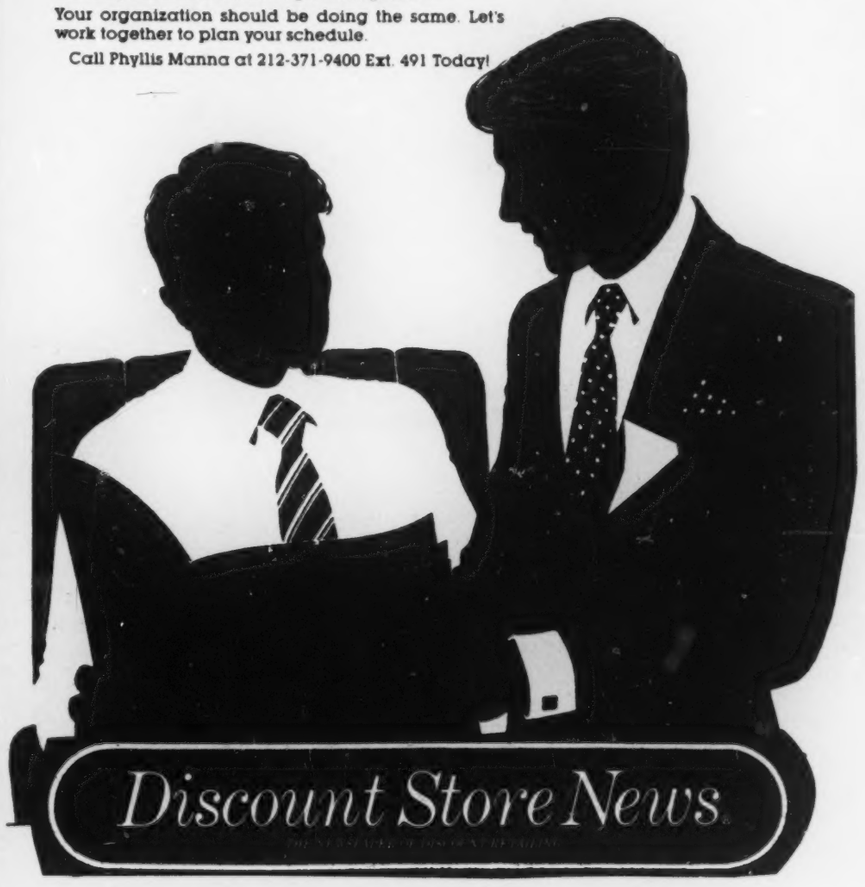
Your organization should be doing the same. Let's work together to plan your schedule.

Call Phyllis Manna at 212-371-9400 Ext. 491 Today!



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Call Phyllis Manna at 212-371-9400 Ext. 491

Heck's Opens 3 New Stores

NITRO, W. Va. — Heck's has opened three new stores, in New Boston, Ohio, Philippi, W. Va., and Rocky Mount, Va.

The 60,000-sq.-ft. New Boston unit is the second Heck's discount department store in Scioto County, just north of the Kentucky border.

The Philippi store, a 40,000-sq.-ft. unit, is the first in Barbour County and 43rd in the company headquarter's state.

With the Rocky Mount store in operation, there are now 17 Heck's in Virginia.

These three openings, together with the acquisition of 35-store Maloney Enterprises, brings the total number of stores in operation to 165.

Read

CLASSIFIED ADS
every issue
in

Discount Stores News

Over-50 Shoppers Show Impressive Financial Clout

(Continued from page 1)

$561.6 billion for consumers under 35, the category encompassing young marrieds and yuppies.

This financial profile in *Midlife and Beyond*, a study sponsored by CBS and prepared by the Conference Board's Consumer Research Center, also shows that income for the 35-to-50-year-old group was $725.7 billion, 19.3% less than for older consumers.

The situation for discretionary income is similar. The 50-and-over group accounts for 49.8%; the 35 to 50 group 30%, and the under-35 group just 20.2%.

Despite the economic impact of the 50-and-over consumer group, discounters have targeted these customers as they have the young marrieds and yuppies.

Manfred Brecker, S. E. Nichols' chairman, said most discounters don't have to undertake any special merchandising program to attract these customers. "I was surprised to find out from two different market research studies that the 39 to 55 year olds are our core customer base, as it is for most other discounters."

With this consumer group in hand, he said discounters have to go after the young marrieds and the 18 to 24 year olds by upgrading store ambience, a move Nichols and many other chains have been carrying out during the past few years.

The big challenge in upgrading "is the execution; making changes that attract younger shoppers without alienating our core customers," he added.

Eugene J. O'Donnell, Hills' senior vice president, general merchandise manager, said discounters may have to recognize and focus on the 50-and-over shoppers, much as chains are doing with younger shoppers.

Hills, however, hasn't developed a formal marketing strategy for the older shopper; it relies on its low everyday price program to attract these consumers.

O'Donnell noted that Hills has strong sales in a category like full figure apparel, a department in which the discounter's market studies showed the average shopper is older than the chain's regular customer. "I don't know if there is a direct correlation," he said.

The fact that 50-and-over consumers use the same merchandise as other customers makes it difficult to target specific products just for older shoppers.

Health care is generally acknowledged to be the prime area with special appeal to the 50-and-over market. This view, in turn, has resulted in many discounters and other retailers offering special discounts on prescriptions and other health items to senior citizens.

Clover, which already offers a 10% discount in its pharmacies to senior citizens, plans to launch a home health care equipment program. The products can be used by anyone but are expected to have special appeal to customers in the 50-and-over age group, especially older and retired consumers, a spokesman said.

Clover's program will sell or rent such specialty products as prosthetic devices, respiration therapy items and incontinence-re-lated merchandise, along with basics like wheelchairs, braces and crutches.

While Clover doesn't have any specific merchandising programs geared to the 50-and-over consumer, the discounter has a strong marketing position in Northeast Philadelphia, an area with an especially large elderly population, the spokesman added.

The development of special programs for senior citizens, such as discounts on prescriptions and/or purchases made during Tuesdays or Wednesdays—the lowest traffic days for most retailers—indicates that these most elderly people are the only segment of the 50-and-over group that has been identified for specific attention by merchants.

However, various demographic studies show that the senior citizen category encompasses different groupings, just as the 50-and-over consumer designation is an overly broad characterization.

As far as discounters are concerned, these studies indicate that consumers over 50 years old and senior citizens generally shop discount stores, catalog showrooms and off-price retailers in a pattern that is similar to the rest of the population.

A slightly larger group of readers of *Modern Maturity* magazine, the publication of the American Association of Retired Persons, shopped discounters more than department stores.

A 1985 Simmons Market Research Bureau study showed that in the three months prior to the study period 94.8% of the readers shopped discounters, making an average of 7.3 visits, while 93.7%. shopped department stores, visiting an average of 6.1 times.

A key demographic trend noted by a magazine executive is that many elderly consumers are giving up large homes in the suburbs and moving to smaller houses or apartments. This means that these consumers may be in the market for new household appliances.

Older consumers tended to shop discounters in the same pattern as the general population, according to a 1985 study conducted by Management Horizons, a market research division of Price Waterhouse.

The shopping percentage for women for specific categories for older households (and for the rest of the population) showed:

- Women's casual apparel—27.4% (25.8%);
- Infants' clothing—31.8% (34.9%);
- Men's casual apparel—22% (21.4%);
- Jewelry—9.5% (8.7%).

The pattern among male shoppers showed:

- Men's casual apparel—22.3% (18%);
- Men's shoes—11% (8.7%);
- Tools—11.7% (10.5%);
- Sporting goods—32.4% (29.3%);
- Jewelry—10.1% (7.7%).

Older consumers, however, tended to shop discounters for durables such as small appliances, housewares, home furnishing and home entertainment items less than did the general population.

The specific figures showed:

- Small appliances—38.6% (43.3%);
- Housewares—66.5% (73.4%);
- Home furnishings—16.8% (23.6%);

Discounters Announce Merchandising Changes

Nationwide DSN Report

Major discount department store and specialty chains have announced key merchandising appointments and promotions:

■ Toys "R" Us has named Van Butler senior vice president, marketing, divisional merchandise manager, a position the chain has tried to fill for two years. Butler had been vice president of merchandising with Child World for the last three years. He will report to Howard Moore, executive vice president, general merchandise manager, for TRU. By the end of next year, Butler will be responsible for over $1 billion worth of toy merchandise, according to a company release.

McCormick

Eller

■ Venture Stores has named Paul McCormick and Cal Eller vice presidents, and general merchandise managers. Both men will report, along with gmm Art Clark, directly to Marc Balmuth, executive vice president, hard lines.

Balmuth explained the two promotions reflect a realignment of the general merchandise manager responsibilities. Where before, only two people reported to Balmuth—Clark and former senior vice president, gmm, Richard Evans—now three people share the hard lines categories.

McCormick's merchandising responsibilities include electronics, and home entertainment (books and records), domestics and textiles. Prior to the promotion, he held the position of divisional vice president, home furnishings, and previously was dmm for electronics.

Eller, who had been divisional vice president, housewares and decorative home, will now oversee housewares and decorative home and toys and infants.

Clark, who currently oversees automotive, hardware, leisure, smallwares, health & beauty aids and food previously had been responsible for toys and infants.

The chain also announced William Bennett was promoted to divisional merchandise manager, housewares and lifestyles, from his position as buyer, lifestyle furniture, wall decor and lighting. He will report to Eller.

■ Roy Cohen and Stan Walsh have been named vice presidents, general merchandise managers, for Child World. Cohen will be responsible for the companies' division two, nontoy products; Walsh will oversee all other toy merchandising. Both executives were previously divisional merchandise managers for the chain.

Target to Pare '86 Health Care Costs

(Continued from page 2)

bility and more benefit choices while at the same time keeping costs flat."

To that end, the chain will make use of a new computerized payroll and personnel system, expected to be operational this summer. Gilpin said the system will keep track of employees' choice and use of benefits more efficiently so in the future the chain could develop benefits programs tailored toward each employee's needs. For example, although each employee would be required to accept some type of basic coverage, the employee might be able to trade in some vacation days for a better medical plan.

Also, computerizing the payroll system will allow the chain, for the first time, to offer a pretax deduction of premiums as early as this fall, said Gilpin.

He added Target is also eliminating its high-option plan with a $50 deductible, which costs both the chain and employees more in premiums than the $100 and $200 deduct-

Chains Oppose New Antitrust Law

(Continued from page 3)

the only federal threat facing prospective RPM violators.

Removing the treble damage provision would eliminate much of the incentive for filing such cases. As a further disincentive to private RPM cases, the White House proposal will contain additional provisions under which unsuccessful antitrust plaintiffs can be forced to pay the defendant's attorney fees.

For their part, discount industry government relations experts are keeping close tabs on the development of the administration's antitrust package, but are reluctant to express specific concerns until the final version surfaces.

AGMC president Edward Borda, for one, says his group will "keep a close watch" on the formulation of this new legislation, and will "be on guard against any new efforts to reduce the retailer's ability to compete."

Similarly, NMRI Government Relations vice president Robert Verdisco said his organization is "deeply concerned about any effort to overhaul the antitrust laws," and that the White House proposal will receive careful scrutiny by the nation's discounters.

Significantly, despite the so far noncommittal tone of industry lobbyists, the administration's plan to cut back on treble damage awards is only one of the potential problems facing retailers in the White House "reform" package.

Another section of the proposal would relax current antitrust merger restrictions on industries facing stiff import competition.

Israelis To Honor Wachsman

NEW YORK — Gil Wachsman, senior vice president and general merchandise manager at Target, will be honored March 19 by the Israel Cancer Research Fund (ICRF) for his work in advancing the cause of cancer research.

More than 200 members of the home furnishings, fabrics and notions industry are expected to attend the ICRF/Home Furnishings dinner in Wachsman's honor at the New York Hilton. Clyde S. Zucker, president of Messina and Zucker Inc., and a member of the board of trustees of the ICRF, and George Blumenthal, vp of Lion Brand Yarns and founder of the awards program, will chair the event.

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THE NEWSPAPER OF DISCOUNT RETAILING

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K mart Set to Test Magazine

By BETH A. SEXER

TROY, Mich. — K mart is planning to test launch a consumer magazine this spring in a move that may break new ground for the discount industry.

Plans call for the first issue, *The K mart Spring Into Summer Magazine*, to be direct mailed to one million households in the Pittsburgh and Philadelphia area in late April.

The general interest publication, a joint venture between K mart and Mars Advertising, Hollywood, Calif., will be supported by advertising sold to consumer product manufacturers, including K mart vendors, according to an agency representative. Mars, which approached K mart with the idea to take responsibility for publishing and marketing the magazine using the K mart name, is organizing the project through its Southfield, Mich. office.

K mart executives declined to comment on the project because, according to a chain executive, "it's still in its formative stages." The agency representative added that until manufacturers commit to taking ad space, the magazine will remain on the drawing board.

With the premier issue, K mart becomes the latest retailer to attempt to use a consumer-oriented publication carrying the chain name as a marketing tool to enhance store image among shoppers, said a Mars representative. Neiman-Marcus, the department store chain based in Dallas, Tex., for example, sends its *N-M Magazine* free of charge to 900,000 charge customers in 17 market areas (encompassing 22 stores) throughout the country. It's also available on newsstands on a very limited basis at a $2 cover price.

The first issue is expected to run 64 pages, divided equally between editorial content, also supplied by the agency, and advertising.

A second issue, aimed at the same two test markets, is currently scheduled to appear in 1986. If the concept is successful, the chain plans to produce four publications a year on a national basis beginning in 1987, said the representative.

The mailing list is being supplied by K mart from its credit card purchase, check cashing and layaway records.

The magazine will feature general-interest and service-oriented articles, such as fashion trends, home improvement pieces like how to build a deck, or seasonal pieces like putting a garden into shape for spring, said the agency representative.

Media kits describing the magazine were sent by Mars Advertising to manufacturers several weeks ago. At presstime, manufacturers said they had not yet decided if they would participate.

(The media kit featured a front page mockup of the magazine, a rate card and a letter outlining the program, including the line, "K mart lent its name and non-financial support to the publisher.")

Howard Bobroff, vice presi-

(Continued on page 71)

Toys 'R' Us Completes Mag Test; Plans to Triple Circulation by July

ROCHELLE PARK, N.J. — Toys "R" Us and Western Publishing are taking their new *Toys "R" Us Magazine* out of its test phase and tripling distribution for its July issue.

Nearly all 100,000 copies of the first issue, distributed in TRU stores just before Christmas, sold out at a cover price of 79¢, said Fred Reimer of Western Publishing, business manager of the children's magazine.

In July, distribution will be raised to 300,000, followed by an October distribution of 500,000 copies, Reimer said.

Western Publishing, based in Racine, Wisc., is aiming to take the magazine quarterly in 1987 and perhaps to offer subscriptions, Reimer added. Eventually, the company would like to make the publication available at newsstands.

By electing to sell the magazine rather than direct mail it to shoppers, TRU and Western's publishing venture differs from those currently being issued by other retailers, including the new publication being planned by K mart.

For Western, publisher of The Golden Book series, the TRU magazine is "a new way of gaining distribution to a special interest group," said Reimer. "We wanted to pick up something that's exciting for kids. We felt the name Toys "R" Us carried that very well."

(Continued on page 71)

Chain toy buyers will continue to search for the elusive super license at the upcoming Toy Fair in New York, but they'll settle for short-term opportunities instead of long-running hits.

Toy Retailers Predict Return to Basic Buys

By LARRY CARLAT

NEW YORK — In the fashionable and cyclical toy world, mass retailers and manufacturers can never get it together.

In a year where major toy companies will be introducing a significant number of innovative new products to the marketplace, led by a second marriage to electronic technology, toy buyers are talking overall conservatism and a return to basics as they come to this month's 83rd American Toy Fair here.

The problem that keeps the two worlds apart appears to be knee jerk reactions on both sides of the fence.

"Last year, there weren't a lot of innovative products in the market. We basically saw a lot of line extensions, a lot of similar products. The industry thinking was if you stick a license on anything, it would sell. It didn't," said Marvin Schwartz, toy buyer for S. E. Nichols.

"Manufacturers realized this and (this year) came to the market with loaded guns. Of course, we're still feeling last year's ill effects, in terms of carryover and declining profit dollars. So we'll be going back to basic buying habits because you can't allow yourself to fall in love with everything," he added.

(Continued on page 27)

IN BRIEF

■ **STEPHEN JELIN** has resigned from his position as president of Prange-Way Stores for personal reasons, effective Feb. 10. Henry C. Prange, chairman of the parent H.C. Prange Corp., will be acting president.

■ **COMPUSAVE** has terminated its Touch-n-Save electronic retailing operation which used interactive terminals to display and take orders for about 400 items. Lack of sales and a cash shortfall were cited as reasons for the decision.

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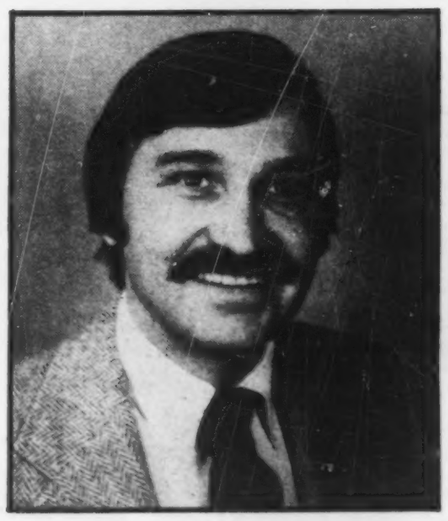
Ardan Catalog Operation to Close

MINNEAPOLIS — Carlson Companies has decided to close its Ardan catalog showroom chain, but plans to "realign" its business "to focus operations on the jewelry and giftware components of the business."

Carlson and Ardan executives declined to clarify the exact moves planned for the cataloger. Sources speculated, however, that Ardan would retain about 10,000 sq. ft. in each unit for a jewelry and giftware operation—possibly using a new logo—and lease out the remaining space in the former showrooms either on an individual store or chain-wide basis. At presstime, the company was holding talks with "several parties" interested in occupying the chain's sites.



'The traditional catalog showroom concept has lost market share and consumer appeal during recent years.'

—E.C. (Skip) Gage, president, Carlson Companies.

Left unanswered was the question of whether the footage for the jewelry and giftware store would be part of the available space should other companies want to take over an entire Ardan unit. Trade observers believe Carl-

(Continued on page 72)

Viewtron New England Entry Completes National Rollout

MIAMI BEACH — Viewdata Corp. of America has extended its Viewtron computer videotex service to four New England states to complete its 50-state national rollout.

The move came as Viewtron reached the 15,000 subscriber level after only four months of national operation. Prior to the start of the national rollout in October Viewtron was only available in south Florida.

As a local electronic marketing and information service in the Greater Miami market, Viewtron had about 3,000 subscribers.

The last four states to get Viewtron were Maine, Massachusetts, New Hampshire and Vermont.

About 90% of Viewtron's subscribers access the service through a local phone call. Besides subscribers in the 50 states, the service is also accessed by consumers in Europe, the Middle East, Asia and Canada, the latter over the Datapac computer information network.

Viewtron is offering its service in the New England market itself rather than through a joint venture with Affiliated Publications, as previously planned. No reason was given for the split.

While Viewtron directly provides its on-line service in almost all markets, it has special regional marketing ventures in three areas.

It has a co-operative marketing agreement in Minneapolis with Northwestern Bell to promote the services on a regional basis. In Pittsburgh, Viewtron has a partnership agreement with the Pittsburgh Press to provide localized news and information services there.

The company has an agreement with the North Carolina National Bank in that state to cooperatively market Viewtron as well as the bank's home banking service in that southeastern market. (Philadelphia's PSFS bank is using Viewtron as well as CompuServe, which is a rival on-line computer service, to provide financial services to personal computer owners.)

The company is trying to develop new localized information services in other markets where it has a large concentration of subscribers, said president Paul Orme.

He said the service has more than 100 advertisers that range from national retailers and service firms like J.C. Penney and Hertz to local companies like Burdines and the Bank of Coral Gables in the Greater Miami area.

To Fund Buyout

SCOA to Sell Units to Volume Shoe

COLUMBUS, Ohio — SCOA Industries plans to sell up to 274 of its shoe stores to Volume Shoe to obtain funds for the recent $637 million leveraged buyout of the company. The price to be paid was not disclosed.

SCOA, parent of Hills discount stores, also plans to sell its seven-store The Dry Goods specialty apparel chain, but so far hasn't made a deal for that operation.

Divestiture of the shoe store and Dry Goods operation is eventually expected to raise about $44 million to help fund the leveraged buyout of SCOA, engineered by a group composed of top SCOA and Hills executives and the Thomas H. Lee Co., a Boston investment firm.

SCOA's sale of most of its 50 By-Way and 250 Gallenkamp shoe stores, all of which are in shopping malls, doesn't involve its approximately 300 leased shoe sections in Hills stores and conventional department stores.

SCOA's agreement with Volume Shoe, a May Department Store subsidiary, is expected to be completed in stages that start this month and continue to run throughout the summer, as Volume negotiates new leases with mall owners.

Volume has agreed to acquire up to 274 SCOA store sites, along with each unit's inventory, but the exact number is dependent on the mall lease negotiations. Volume will convert the stores into self-service Payless ShoeSaver Stores, currently a 1,850-unit chain.

Only about 275 Payless ShoeSaver stores are in malls, so the deal with SCOA will materially strengthen Volume's presence in shopping centers.

VCR Sales March On
(Sales to Retailers)

	1985 (53 weeks)	1984 (52 weeks)	Change
VCR	11,853,118	7,615,791	+55.6%
Color TV	16,995,667	16,082,580	+ 5.7%
B&W TV	3,753,860	4,909,152	-23.5%

Source: Electronic Industries Association

55% Sales Gain

VCR's Achieve 30% Market Penetration

WASHINGTON — The videocassette recorder continued its inexorable march into American homes in 1985, approaching penetration of 30% of American households by the end of the year.

According to the Electronic Industries Association's Consumer Electronics Group, 11.9 million units were sold to dealers last year, a 55.6% increase over the 7.6 million units sold to dealers in 1984.

In December, 1.94 million units were sold to dealers, the most prolific VCR sales month in history.

The gain in unit sales was accompanied by nearly a 10% drop in prices, as the average factory value of 1985 VCRs dropped from $455 in 1984 to $411 last year.

That value drop was most pronounced in table models, whose average factory cost declined from $416 to $370, and is projected to decline even further to $350 this year.

The EIA expects sales in 1986 to grow at a more modest rate to approximately 12.5 million units.

Sales of video cameras were off 19.2% compared with the year before, from 488,849 units in 1984 to 394,764 in 1985, possibly a result of a growing consumer preference for camcorders. Sales of those combination camera/recorder units, not even tracked as a separate classification by the EIA until 1985, were estimated at 400,000 units for the year, and are projected by the group to vault to 750,000 units in 1986.

Similarly, sales of portable VCRs were off from 885,000 units in 1984 to 700,000 units in 1985.

Gains were shown in several other categories tracked by the EIA on a weekly basis. Color television set unit sales jumped 5.7% to 17 million, also the largest mark in the category's history. However, the average factory value for TVs showed a slight slippage, from $343 in 1984 to $330 in 1985.

(Continued on page 72)

QUIZ *The DSN Quiz, testing your knowledge of news and trends in discount retailing covered in the previous two issues, will appear on this page monthly. Check your answers with the key on p. 71.*

1. The heightened promotional stance evident among conventional department stores reflects:
a) humanitarianism;
b) increased competition from specialty retailers and discounters;
c) sheer desperation.

2. Who is America's prime consumer group?
a) the 50 and over market;
b) Yuppies;
c) Weight Watchers.

3. The new name of Federated Department Store's merged discount division will be:
a) Goldrich's;
b) the same as the old names;
c) Target.

4. CES held few surprises for chain buyers. Nevertheless, the predominant marketing strategy seen at the show was:
a) four color packaging;
b) fashionable pastel colors for audio and video products;
c) blondes.

5. Toys "R" Us implemented two uncharacteristic moves during the second half of last year. One, was increased promotional activity. The other was:
a) keeping its stores open 24 hours a day during Christmas;
b) slashing its everyday low prices;
c) providing milk and cookies for Santa.

6. Sporting goods retailers were able to do one stop Atlanta shopping at:
a) The Super Show;
b) The Cosby Show;
c) The NSGA Show.

7. Which buyers pass up co-op advertising programs in favor of net-net pricing?
a) Wal-Marts;
b) private label apparel;
c) domestics.

8. Virtually everyone has lauded the membership warehouse retailing format except:
a) Wall Street;
b) Bourbon Street;
c) Della Street.

9. What category is expected to lead the apparel business in sales this year?
a) children's wear;
b) women's wear;
c) wash and wear.

10. Mainstreet will expand into its second market this Fall with four openings in:
a) Minneapolis;
b) Mr. Rogers' neighborhood;
c) Detroit.

Rolling Out a New Look

Kuppenheimer Clothiers is rolling out a new look in an effort to shed its factory outlet image. Stories on changing approaches at two men's specialty stores and a MAGIC show preview begin in the soft lines section on page 13.

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PHOTO MARKETING ASSN. SHOW

Rangefinders Pace 5.3% 1985 Camera Sales Gain

U.S. Camera Sales to Retailers (1985 Estimate)

Camera	Total Units Shipped (17.9 million)	Percentage
Disc	4.8 million	26.8%
Rangefinders	3.6	20.2
Instant	3.3	18.4
110 & 126	3.2	17.9
SLRs	2.6	14.5
Other	0.4	2.2

Source: PMA marketing research

JACKSON, Mich. — Increased sales of rangefinder cameras paced a 5.3% increase in the number of cameras sold to dealers last year, according to year-end estimates by the Photo Marketing Association in its 1985 Industry Trends report.

Sales of rangefinders increased from 2.9 million in 1984 to an estimated 3.6 million units last year, and their share of market zoomed from 17.1% to 20.1%—the only major segment to show a gain. The report also credited the success of Minolta's Maxxum with producing growth for 35mm single lens reflex models, which inched forward from 2.5 million to 2.6 million units. Their share of market declined, however, from 14.7% to 14.5%.

Drug stores continue to hold down the largest share of the retail photo processing market, according to the PMA research. They account for 33.2% of the industry's unit volume; with their ultra-competitive pricing, that 33.2% translates to 29.6% of the dollar volume. The unit share represents a significant gain from 1984, when drug stores were credited with 26% of the market by the PMA.

Discounters also showed a gain in unit share, jumping from 9% of the industry's units in 1984 to 9.6% in 1985. As with the drug stores, discounters' competitive pricing kept the dollar share lower, to 7.6%.

The greatest gains in number of installations, according to the report, were shown by mini-labs, whose numbers just about doubled over the year. By November, 1985, there were 10,200 mini-labs operating, compared to 5,200 a year earlier. According to the PMA research, mini-labs now account for 25.6% of the photo processing dollars on only 18.7% of the units.

The biggest dropoff in processing was shown by kiosks, which fell from 14% of the market in 1983 to 8% in 1984, down to 3.6% of the industry units in 1985.

The PMA's 1985 Consumer Photographic Survey, in tracking purchase patterns, asked respondents where they had bought their most recently purchased camera, and what kind of camera it was. Discount stores, as in past years, continued to be the most favored purchase venue, accounting for 23.7% of total purchases. Catalog showrooms, with 12.7%, ranked third on the list, trailing camera specialty stores.

Within the discount stores, instant and 110 cameras were the most often cited as most recently purchased, with disc cameras holding down the third position. Rangefinder 35mm models were fourth.

In the catalog showrooms, however, rangefinders held down a solid second place, accounting for 20.5% of the most recently purchased cameras. That is the highest percentage garnered by rangefinders in any distribution channel studied by the PMA.

The consumer study also found that the camera owners who generate the most profit for retailers—owners of high-end SLRs—are getting in step with the video revolution. More than half of those owners who intend to buy a camera in the near future expect it to be a video camera. And, when asked what other products they would expect to find in a camera store, 46.9% of all consumers said they expect to find video equipment. The PMA report includes a full study of the video market and how it will impact on photographic retailers in future years.

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Family Dollar Declares Dividend

MATTHEWS, N.C. — The board of directors of Family Dollar declared a quarterly cash dividend on the company's common stock of 6¢ per share, payable April 15, 1986, to shareholders of record as of March 14, 1986.

At its annual meeting, the stockholders also elected Leon Levine, Lewis E. Levine, Thomas R. Payne and Mark R. Bernstein directors of the company.

Fashion Briefs Gain Wider Appeal

(Continued from page 16)

tion to six ft. Basic underwear takes 20 ft.

The chain is also making a bid for greater volume business in fashion by going deeper into three-packs in addition to its single-pack offerings, trusting that shoppers have accepted the items enough to purchase them for more frequent use. Also, fashion items now are being inserted into ads that formerly had featured only basic programs from vendors like Hanes and Fruit of the Loom.

The fashion assortment at Howard's includes a program from Spalding—its most successful one—Bill Blass and, in some remodeled stores, Reed St. James. Price points range from $1.98 for a single package to $7.99 for a three-pack, with the Reed St. James line the most expensive price point. Initial markup is about 40%, said Sherba.

He expects the Bill Blass line, which has so far met with only moderate success, to pick up in sales now that the company has redesigned its packaging. Most buyers agreed packaging is most important in selling fashion briefs because many of the purchases are made by women buying the items on impulse.

With interest in men's fashion underwear on the rise, Sherba is also considering testing a coordinated T-shirt and briefs program in time for Father's Day.

At the same time discounters are building their fashion assortments, they are also looking toward private-label programs in both fashion and basic white underwear to become more price competitive and draw more profit.

The Brut 33 basic white underwear program developed for, and at present only found in K mart stores is now being offered to other mass merchandisers for September availability, said Steven Samberg, president of the men's wear division of Nantucket. He explained the company saw a void between the lower-priced basic branded items by companies like Fruit of the Loom and Hanes and the fashion offerings.

Howard's is one chain looking to strengthen its basic men's underwear business, along with its fashion assortments.

"We compete with Wal-Mart and K mart who, in many areas, get in a price war, especially over Fruit of the Loom, which is sold day in, day out below cost," said Sherba. "That's affected our margins quite a bit. We're [now] looking toward other avenues to offer quality and at the same time improve margins."

He said the chain is considering a basic underwear program from McGregor, so it can offer a name brand item that has not yet been footballed, or a private-label program.

At Heck's, men's fashion underwear is gaining momentum after experiencing flat sales in 1985, said one buyer. The chain, which already carries a program from Spalding and a private-label program, is bringing in a fashion briefs program from Brut for this spring, priced at $2.96 for a single package and around $8.88 for a three-pack.

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Touche Ross Holds Conference

SAN FRANCISCO — Touche Ross will sponsor its third annual Electronic Shopping Outlook conference May 21 to 23 at the Buena Vista, Palace Hotel, Orlando, Fla.

Registration information is available from Susan Shafton, Touche Ross & Co., One Maritime Plaza, San Francisco, Calif., 94111. Phone: 415-781-9570.

Sales by Property

Type of Property	% of Total Sales	$(Billions)
Trademarks/Brand Names	28%	$14.028
Cartoon Characters	24	12.024
Sports	11	5.511
Art	7	3.507
Celebrities	7	3.507
Designers	7	3.507
Theatrical Feature Films	7	3.507
Music	5	2.505
Publishing	2	1.002
Music	1	0.501
Other	1	0.501
Total	100%	$50.100

Source: The Licensing Letter

Sales by Product

Product Category	% of Total Licensed Sales	$(Billions)
Apparel/Accessories	36.0%	$18.036
Toys/Games	17.0	8.517
Publishing/Stationery	12.0	6.012
Gifts/Novelties	9.0	4.509
Home Furnishings/ Housewares	8.0	4.008
Foods/Beverages	7.0	3.507
Health & Beauty Aids	4.5	2.254
Computer/Video Programs	2.5	1.252
Sporting Goods	2.0	1.002
Miscellaneous	2.0	1.002
Total	100%	$50.099

Source: The Licensing Letter

Licensed Product Sales To Maintain Growth

SCOTTSDALE, Ariz. — Retail sales of licensed products, which totaled $50.1 billion last year, should climb to between $80 billion and $100 billion by 1990, predicted Arnold Bolka, publisher of *The Licensing Letter.*

The categories which captured the greatest percentage of licensing sales last year included apparel/accessories which took 36%, or $18 billion of the total licensing sales, toys/games, with a 17% share, or $8.5 billion, and publishing/stationery, with 12% or $6 billion share of total sales, according to an industry survey conducted by the newsletter.

The most prevalent forms of licensed property were trademarks and brand names, which accounted for 28% of total licensing sales, or $14 billion, followed by cartoon characters with 24% or $12 billion and sports properties with 11%, or $5.5 billion.

Bolka said that one threat to the continued growth of licensing are proposals by Rep. Timothy Wirth (D-Colo.) and Sen. Frank Lautenberg (D-N.J.), for the Children's Television Act which "threatens to nullify the synergism between TV programs and licensed merchandising," said Bolka.

"There didn't seem to be any problem when the popularity of TV programs resulted in development of consumer products tied to those shows. Now that TV programs are being created based on popular licensed properties, some feel that it's wrong, perhaps, and should be stopped," he said.

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Jamesway to Launch 1st Westchester Unit

SECAUCUS, N.J. — Jamesway has announced plans to break into Westchester County for the first time with a single opening in Cortland, N.Y. this spring in an enclosed mall location currently occupied by Alexander's, which is expected to be shuttered this week.

The regional chain has also unveiled plans to open two other mall stores, in Bradford and Allentown, Pa.

The upstate New York store, located on Route 6 in Westchester County near Peekskill and Mohegan Lake, will occupy 70,000 sq. ft. of the 132,000-sq.-ft. Alexander's facility in the Westchester Mall. Jamesway, which was waiting at presstime to take ownership of the store, is aiming for a May opening.

Alexander's had announced several months earlier its intention to close its headquarters branch on Lexington Avenue and 59th Street in New York City to make way for a combination condominium and office space complex.

The Bradford, Pa. store, which will occupy 76,000 sq. ft. in the Bradford Mall, is a takeover of a J.C. Penney store that is expected to close this month. Crown American Corp., a Johnston, Pa. developer, mall operator and owner of Hess Department Stores, plans to expand the mall, which already houses a Hess store and White Supermarket, to include a a 345,000-sq.-ft. complex.

Jamesway expects to open the store early next month.

The new Allentown, Pa. store, which is due for a November opening, will be located in the South Mall on Lehigh Street, near the intersection of PA Route 309 in Salisbury Township. Crown American is also expanding and renovating this mall so that the Jamesway store will anchor a new concourse connecting it with a Hess store and mall complex.

The 63,500-sq.-ft. store will be the third Jamesway in the Allentown-Bethlehem area. Other units are situated on McArthur Road in Whitehall, just outside Allentown, and in Bethlehem, on Easton Boulevard.

VCR Sales Jump More Than 55%

(Continued from page 2)

The perpetual rise in color TV sales, however, is seen at an end, according to the group's projections for 1986. For the year, sales are projected at 16.7 million units.

Compact disc players were certified as one of the star categories of 1985. The EIA estimated that 850,000 players, both portable and home models, were sold last year, up from only 280,000 a year earlier. Sales for this year are projected at 1,500 players, but with little price erosion, as the average dealer cost drops from $220 in 1985 to a projected $210 this year.

Both of those represent significant declines from 1984, when the average player cost was $329.

Projection TVs are another category that showed growth in 1985; sales were up 36% last year compared to 1984, to a total of 265,645.

Black and white TV sales continued to decline last year, slipping 23.5% to 3,753,860 units compared to 1984.

T.G. & Y. Post Still Uncertain

(Continued from page 3)

year earlier. It operates 748 variety stores in 38 states.

Rusthoven—president of T.G. & Y. since early 1984—and Jones resigned shortly following McCrory's purchase of the company on Jan. 7. Neither could be reached for comment.

Rapid-American Corp., parent of McCrory, purchased T.G. & Y. for slightly more than $300 million from a leveraged buyout group that had purchased the retailing businesses of Household International.

Carlson to Close Ardan Catalog Chain

(Continued from page 1)

son would lease an entire showroom, including the jewelry and giftware area, if it was necessary to close a deal.

Carlson president E.C. (Skip) Gage said Ardan's was being divested because "the traditional catalog showroom concept has lost market share and consumer appeal during recent years. The retail merchandise business, specifically the hard goods side of the catalog showroom business, does not fit our current corporate strategy," he added.

The company, Gage continued, has decided to "focus on its business strengths, specifically the five main operating groups of travel, hospitality, sales promotion, employee motivation and real estate."

The 46 showrooms in operation last year, which averaged 40,000 sq. ft. to 45,000 sq. ft., generated about $200 million in sales, trade sources estimated. Jewelry and giftware volume reportedly increased 15% to 16% for the year and were profitable, sources said.

The decision on the realignment and divestment lays to rest reports that had been circulating for more than a year that the $3 billion conglomerate was looking for a buyer for its unprofitable catalog operation.

The announcement came as Carlson closed five Ardan showrooms, reducing the chain to 41 units. Ardan had 68 showrooms three years ago, when Carlson began to scale back its operation to what executives then said would be a "core of profitable showrooms."

Carlson's catalog operation had also included the Creative Merchandising and Publishing coordinator division. But last year, Carlson folded Creative's merchandising staff into Ardan, retailing only the latter's production and printing operation as a part of the Carlson Marketing group which publishes catalogs and promotional literature for various Carlson divisions and outside companies.

Creative had four members: Ardan, E.H. Tepe, which switched to the Paul Schultz Catalogs group at presstime, Reynolds Wholesale, which is looking for a new group, and Ed Phillips & Sons Distributing, which has shut its showroom arm.

The realignment of Ardan's business will take place over the next few months, said Yale Dolginow, Ardan's president. "The jewelry and giftware operations have traditionally been very strong and profitable in all our markets and that is where our focus will be. Jewelry and giftware have been a central feature of the catalog business since its inception.

Ardan has stopped buying non-jewelry merchandise and has cancelled previously placed orders. Staff cutbacks at both headquarters and the store level have already begun, with the exact number unavailable from any company official.

Carlson wouldn't identify the "several parties" interested in Ardan. Gage said "we will continue these discussions."

The five Ardan units shut this month are in Benton and Lee's Summit, Mo., Tulsa, Peoria, Ill. and the Eastgate Shopping Center store in Wichita, Kan. Last year, Ardan closed nine stores and phased out an experimental apparel merchandising program in about a dozen units. That merchandising test was an attempt to increase showroom traffic and sales.

Ardan's 41 remaining showrooms are in California (13), Texas (eight), Iowa (seven), Nevada and Kansas (three each), Illinois, Nevada and Ohio (two each) and Missouri (one).

Trade observers said it was unlikely other catalogers would take over many Ardan sites. They cited the contraction underway in the industry, along with the fact that Ardan could have a profitable jewelry and giftware operation at a former showroom site as reasons.

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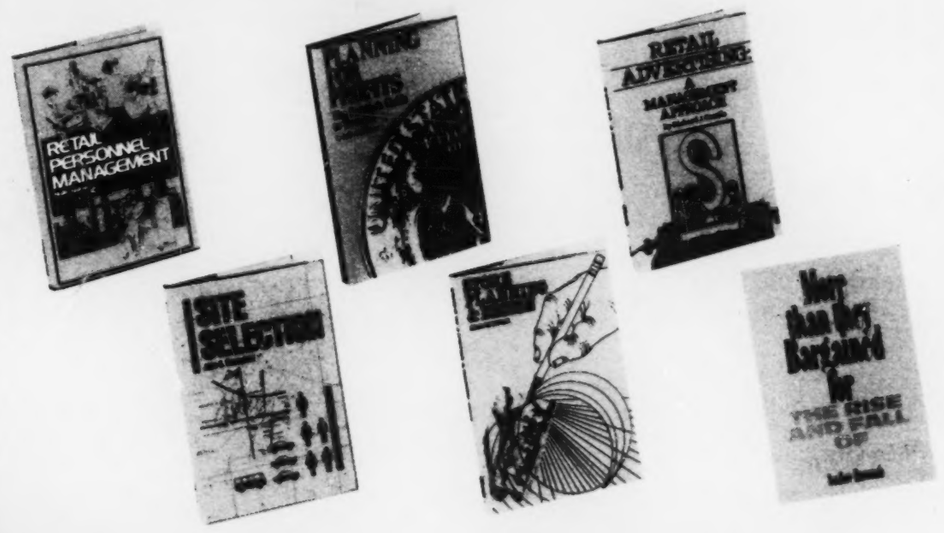

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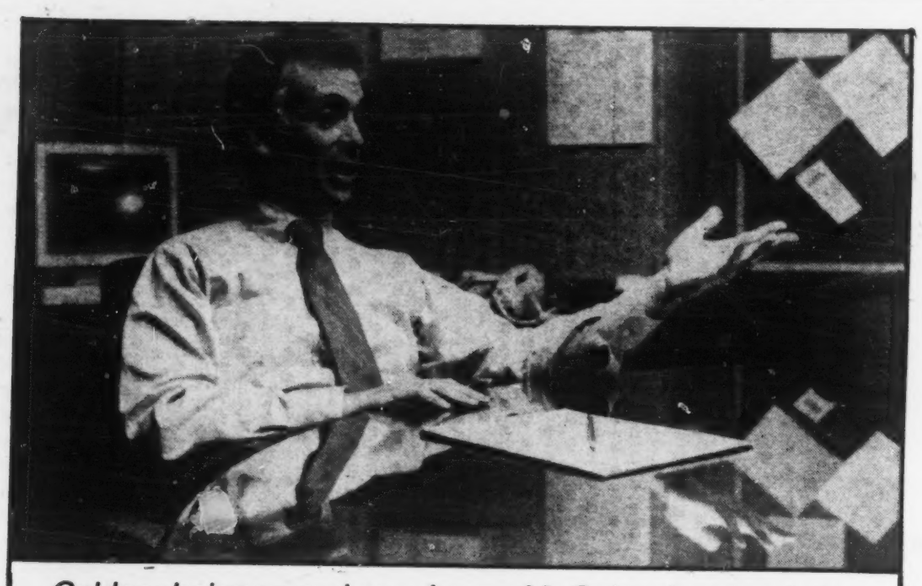


Caldor chairman and ceo James M. Guinan's agenda includes building a fully automated distribution center and electronically tracking sales by dollar and item. (DSN photo)

Guinan: Caldor Hits Goals, on its Schedule

NORWALK, Conn. — The timetables hanging in the meeting room next to his office chart Caldor's progress in the revamping of its new distribution and management information systems. James M. Guinan, chairman and chief executive officer, points to them often to indicate all is going according to plan.

Guinan joined the 109-store chain 17 months ago, bringing with him an extensive background in retail systems and operations, learned most recently at Ohio-based Gold Circle (a six-year term preceding a short six-month stint at Bloomingdale's as president).

For merchandising expertise, he tapped Leonard Williams, also a former chairman of Gold Circle—and his former partner when Guinan had that title at Gold Circle and Williams was president.

One assignment having a priority ranking among Leonard's responsibilities is to translate the chain's drawing power and credibility in its hard goods assortment to the soft home/-apparel side of the store.

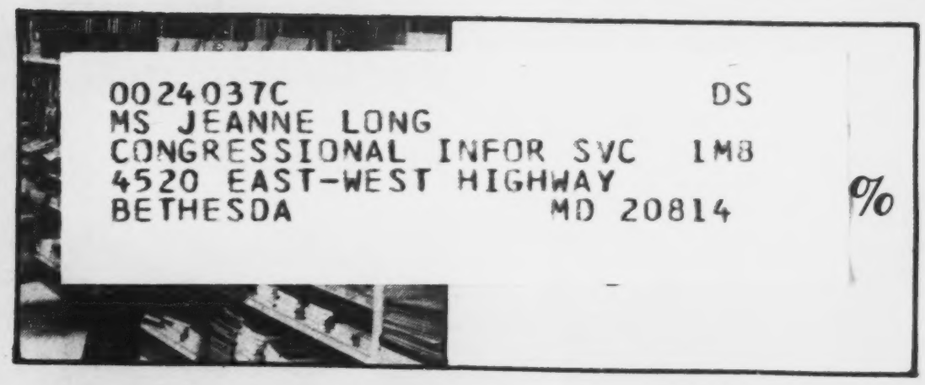
"We'll never get the specialty store customer. [But] we can sell a spiffy knit top, or a $60 jogging suit with something special on it," Guinan and Leonard have

(Continued on page 4)

IN BRIEF

■ **LARRY SOMMER**, senior vice president, director of stores for Prange Way, Green Bay, Wisc., has been named president of the company. He succeeds Steve Jelin, who resigned Feb. 10. Henry Prange, chairman of the parent H.C. Prange Co., had been running the 20-unit chain in the interim.

■ **CIRCUIT CITY** has decided to close its 15 Lafayette Stores in the greater New York market and concentrate its expansion in the Southeast and California.
The 15 stores were projected to do $85 million in sales this year, but their profit contribution to the company was expected to be minimal. Circuit City will begin closing down the stores at the end of March. Meanwhile, in March and April, the company will continue its California invasion with the opening of seven electronics 'superstores' in greater Los Angeles.



Best Puts New Stores on Hold To Focus on 37 Remodelings

By ARTHUR MARKOWITZ

RICHMOND — Best Products has called off its 1986 expansion program.

Instead, the cataloger will focus its limited financial resources on remodeling 37 showrooms formerly owned by Modern Merchandising. Many of these units have reportedly lost market share in the last several years.

The renovation effort includes changing the showrooms' logo to Best, a move which would eventually help establish a nationwide identity.

The 37 showrooms due for renovations were part of the six-chain, 78-store Modern Merchandising company which Best acquired in 1982. Best, which has showrooms in 28 states, is expected to use one logo for all its showrooms by the end of next year.

Robert E.R. Huntley, Best president and chief executive officer, said the cataloger had "postponed the expansion program because of the high priority of the remodeling program and because of construction delays at some sites in the New York market."

Best Products' remodeling effort in eight states is part of a long-range plan to develop a single identity for the cataloger. Best currently uses five different names.

The cataloger had planned a modest expansion program this year: seven Best nameplate showrooms, including its first five stores in the metro New York market and two in Buffalo. One of the Buffalo units would have been teamed with an Ashby's ladies apparel store, the first side-by-side operation of these two Best operations.

The cataloger hasn't developed its expansion plans for next year. It has, however, called off a move into Detroit that was to commence in 1987 with three or four showrooms.

The remodeling, to be completed in stages beginning later this month and running through the end of August, will involve the complete re-

(Continued on page 74)

With the closing of its TBA centers, Target no longer sells tires and shock absorbers, but the chain will continue merchandising other automotive aftermarket products.

Target Shutters its 193 Auto Service Centers

By MICHAEL HARTNETT

MINNEAPOLIS — Target has closed its 193 tire, battery and auto accessories (TBA) installation centers nationwide, effective Feb. 22.

It cited a reluctance to adapt its operations to different markets to compete effectively as a reason for the closings.

George Hite, chain vice president, public and consumer affairs, said "TBA operations are the kind that are very specialized and require a good deal of local adaptation in different markets." He said that such a philosophy runs contrary to Target's strategy of uniformity in its operations.

Hite cautioned against speculation that the decision to close the TBA centers also represents an acceleration of its program to reformat stores based on a new prototype design. Target prototypes in Garland, Tex. and Edina, Minn. do not have TBA centers, which were closed in these stores so that additional space could be allocated to other categories, particularly consumer electronics.

Hite said the chain is staying in the automotive after-

(Continued on page 73)

Gold Circle/ Richway Set HQ Team

By BETH A. SEXER

WORTHINGTON, Ohio — A new top level discount store merchandising team headed by three Gold Circle merchandisers has emerged from the tense reshuffling that followed Federated Department Store's late January merger of Gold Circle and Richway.

The restructuring has made room at the vice president and divisional merchandise manager levels for the promotion of several Gold Circle merchandisers and for the arrival of three vp/divisional merchandise managers from Richway. In addition, 11 Richway buyers will make the trip north to join the new team. The new company will retain its headquarters here, while Richway's Atlanta office is due to be completely shut down by the fall.

Along with the 4 Richway merchandisers, 10 other executives are moving "up there," as the Richway people call it, to Ohio. They include president Jack Smailes, who was

(Continued on page 74)

BEST AVAILABLE COPY

House Bill Could Tie Up Chain Promos

WASHINGTON — Discounters and other retailers who run out of stock on advertised merchandise could be slapped with stiff Federal fines—and even prison sentences—under proposed legislation pending in Congress.

The bill, introduced by Rep. Benjamin Gilman (D-N.Y.) as the "Consumer Fraud Act," would outlaw "unfair consumer practices," including "offering or advertising goods or services for sale to a consumer . . . without [the] ability to supply reasonably expectable public demands."

Individuals responsible for out-of-stock conditions or other "unfair" practices banned by the legislation would face fines of up to $10,000 per violation plus three years in prison, while corporate offenders would risk penalties of up to $500,000 per incident.

As if those sanctions were not stiff enough, Gilman's proposal would also empower the U.S. Justice Department and all state attorneys general to file treble damage suits against retail violators of the act on behalf of consumers.

Individual consumers would be able to press treble damage suits, and would be entitled to cancel any purchase agreement or contract with a firm that engages in "unfair consumer practice."

In addition to penalizing retailers for failing to stock merchandise in sufficient quantities, the bill would impose similar sanctions against discounters who make any "false or misleading statements" (e.g. in advertising or by store personnel) concerning "the reasons for, existence of, or amount of any price reduction in connection with the sale of any goods or services."

Other unfair practices outlawed under the legislation include: Misrepresentations regarding the consumer's "need" for anv item. misleading "price or quality comparisons," or false statements concerning "the goods, age, quality, style, standard or model" of any product advertised or offered for sale.

In advancing the legislation, Rep. Gilman called the sweeping proposal a "response to the incredible volume of consumer fraud perpetrated upon the American public."

Although he acknowledged that the penalties contained in his measure are "stringent," Gilman maintained sanctions are needed "to stop those who wilfully attempt to defraud customers."

Significantly, however, the proposal appears to go beyond attacking deliberate fraud and could leave honest retailers vulnerable to harsh punishment for even inadvertant ordering mistakes or errors by misinformed store personnel.

Corrective Measures

Although the out-of-stock prohibition does allow retailers to avoid penalties by disclosing availability limitations in advertisements, for example, it does not permit the use of such corrective measures as rainchecks or offer shoppers alternative items when advertised products are sold out.

The nation's supermarkets have been subject to a similar out-of-stock ban for the past 15 years under a controversial Federal Trade Commission rule requiring grocers to stock ad "specials" in quantities sufficient to meet "reasonably anticipated" consumer demands.

The 1971 regulation—which does not apply to discounters—has proved to be almost unenforceable. A study by the commission's staff concluded that the cost of complying with the requirement outweighs any benefits to consumers, and recommended the FTC abolish the regulation.

Loveless Retires as Sam's GM

BENTONVILLE, Ark. — Ron Loveless, who played a key role in Wal-Mart's launching and development of its fast-growing Sam's Wholesale Club operation, has taken early retirement.

He had been senior vice president, general manager of Sam's, whose sales are expected to approach $2 billion in this, its third year.

Succeeding Loveless is Nick White, who was previously Sam's vp of operations.

White's successor is Tom Coughlin, formerly Sam's vp, personnel. That position is now being filled by Wesley Wright, formerly a Wal-Mart regional operation manager.

Loveless, 43, took early retirement so he would have time to pursue personal interests. He had worked intensely, oftentimes at a hectic pace, over the last several years getting Sam's off the ground, said one source.

Jack Shewmaker, Wal-Mart's vice chairman and chief financial officer who oversees the Sam's operation, said "Ron has done an out-

(Continued on page 74)

PACE Set for Drive into Detroit; To Meet Warehouse Club Head on

The typical PACE Membership Warehouse carries 3,000 to 4,000 items and turns inventory about 17 times a year. Gross margins at PACE units are averaging 8% to 9%.

DETROIT — PACE Membership Warehouse is out to answer the question, can several membership warehouses successfully survive in the same market?

One of the industry's fastest-growing companies, PACE has set its eyes on yet another market, Detroit, where it plans to open four units before the end of the year. That will put PACE into direct competition with Chicago-based Warehouse Club, which debuted two units in Detroit last November.

The Detroit openings will mark the first time PACE and Warehouse Club will go head to head. But PACE already competes with Costco in the Tampa-St. Petersburg market and with Price Co. in Baltimore-Washington.

The four Detroit openings are part of the 14 to 17 that PACE has planned for this year. Each unit will require an initial investment of about $10 million and is expected to generate sales of $40 million in its first full year of operation.

PACE has been funding its rapid expansion in large part with cash generated by a $56 million public offering last June. The Denver-based company already operates 16 warehouses, including eight it has opened since November. PACE's most recent openings have come in Marietta, Ga., East Tampa, Fla., Pittsburgh and Laurel, Md.

PACE also operates in Atlanta, Charlotte, N.C., Omaha and Louisville, Ky.

Commodore Weds New Pc to QuantumLink

WEST CHESTER, Pa. — Commodore International is using the electronic retailing and telecommunication capabilities of its computers to help sell its new 128 model.

The company is offering consumers a free modem and a trial subscription to the QuantumLink on-line telecommunication network, which includes an electronic retailing service, if they purchase the new Commodore 128 computer.

QuantumLink is offering Comp-U-Card's computerized shopping service, called Comp-U-Store OnLine.

The offer, in effect through March 31, is designed to "demystify the perception that telecommunications is a frightening never-never-land of technical mumbo jumbo," said John A. Widlicka, the company's senior vice president, marketing and consumer product sales.

"We want to show home users that the electronic cottage is a friendly, warm environment in which users can shop, read the news, research school reports, play games, preview software, join clubs with people of shared interest and make friends without leaving home," he added.

The offer provides that consumers who buy a Commodore 128 computer will receive a coupon entitling them to receive a free Commodore 300 baud auto-dial modem, QuantumLink software and a two-month trial subscription to QuantumLink for half price.

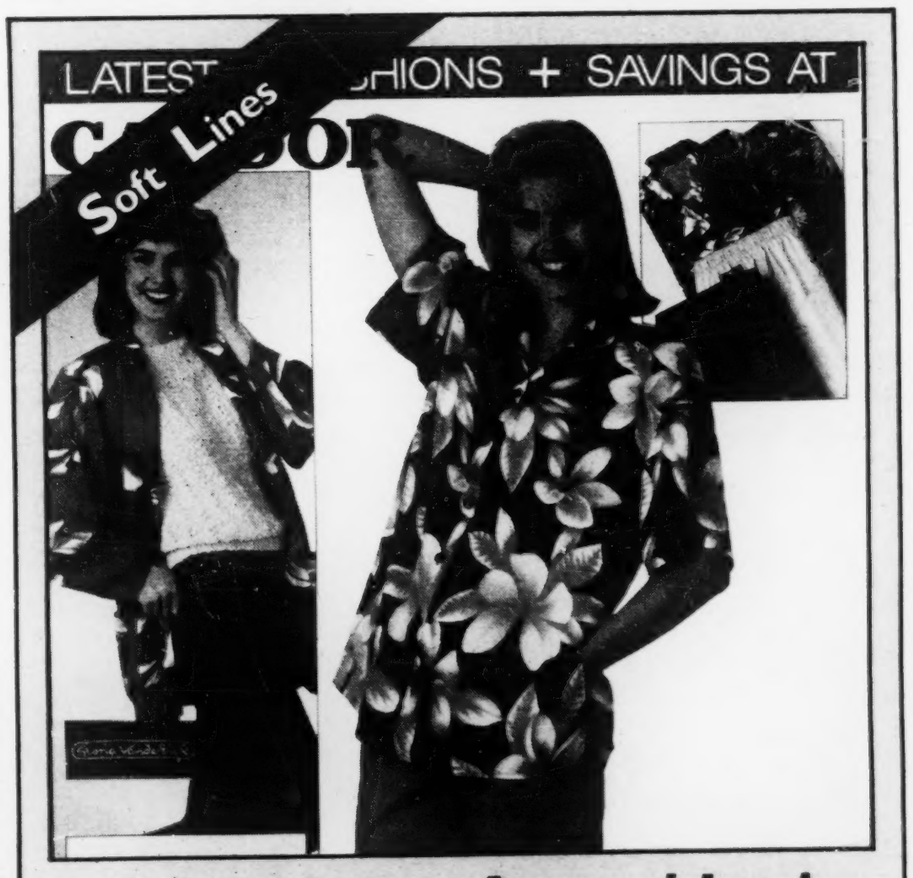
The modem retails for $49.95, and the basic service cost is $10 per month. QuantumLink software is included in the price.

QuantumLink was "targeted specifically at owners of the Commodore 64 and 128 computers" and takes advantage of the two machines' sound and color capabilities, said Stephen Case, vice president, marketing, Quantum Computer Services, the service's parent company.

Quantum, located in Vienna, Va., has enrolled more than 10,000 subscribers since it started to offer QuantumLink last November.

The Commodore Information Network, a forum for Commodore computer users to exchange information, also operates on QuantumLink.

QuantumLink also offers subscribers such services as news reports, an electronic bulletin board, multi-player telegaming, free access to an encyclopedia and previews of educational.



Caldor Intros Apparel Look

In her first year, Caldor's new softlines vp, Barbara Davis has mapped a new apparel strategy for the chain, including reoriented private label programs, redesigned in-store departments and increased emphasis on apparel in circulars. The first effort, this four-page pull-out apparel section, was introduced last month. See full story on page 15.

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Discounters Close '85 With Sales Up Slightly

Nationwide DSN Report

Faced with a slight decline in consumer confidence in the economy, the nation's leading discounters closed out 1985 with only modest sales gains.

But cautious buying and conservative inventory positions allowed most chains to maintain acceptable gross margins and avoid excessive promoting even in the face of weak consumer demand.

January sales were generally flat or, in the case of several discounters whose reporting period included one less week this year, down slightly. Most economists blamed high consumer installment debt for the slowdown in spending which kept retail sales soft.

Year-end sales figures for major discounters and catalog showrooms ranged from a 32% gain at Wal-Mart, whose sales jumped to $8.45 billion, to a 0.8% decline at Best Products. Best ended the year with sales of $2.23 billion.

Most chains, however, reported sales that fell within a much narrower range. K mart's sales grew 7.5% for the year, but that included results of its specialty store divisions, which the company said generally outperformed its discount stores. K mart closed out the year with sales of $22.41 billion.

Jamesway's sales rose 10%, to $523 million. Based on that performance Jamesway executives predicted that the chain's year-end earnings would be lower than expected.

Year-end volume at Rose's was up 8.8% to $1.01 billion. Zayre's sales grew 21.3% to $3.79 billion.

Bolstered by the addition of G.C. Murphy stores, Ames sales for the year rose 127% to $1.49 billion. Ames now operates one-third more discount stores than it did a year ago, in addition to 144 variety stores acquired in the G.C. Murphy deal. Units acquired from G.C.Murphy contributed more than one-third of Ames' volume in fiscal 1985. Not including stores from G.C. Murphy, Ames sales rose 17.5% in the year.

For the month of January several chains reported sales declines, largely because the reporting period for many discounters this year was a week shorter than last year's.

Jamesway, for instance, posted a 17% sales decline in January. Without the extra week distorting comparisons, Jamesway's sales would have been ahead 14% for the month.

Rose's sales declined 0.8% for the month, again because of comparison with a longer period last year. On a comparable basis, however, Rose's sales actually rose 40%, the company said.

Heck's was another discounter which, like Ames, boosted its volume because of the addition of stores acquired during the year. Heck's sales in January rose 23.7% to $29.1 million. Of those sales, $4.1 million were generated by the 35 Maloney Enterprises stores Heck's purchased in August.

Discounters Close Year with Modest Gains
in millions

Company	Fiscal 1986	Fiscal 1985	Jan. 1986	Jan. 1985
K mart	$22,418	$20,860	$1,260.0	$1,180.0
Wal-Mart	8,450	6,400	606.0	425.0
Zayre	3,790	3,130	171.0	147.0
Bradlees	1,620	1,400	81.0*	79.0
Ames	1,499	811	79.5	35.6
Gold Circle/ Richway	1,060	1,060	53.0*	63.5
Rose's	1,010	927	50.5*	50.9
Venture	1,000	882	54.5	48.2
Jamesway	523	475	22.2*	29.6

**Reporting period includes one less week than comparable period a year ago.*
Source: *Discount Store News*

January's business was in sharp contrast to last year, when weak Christmas sales and high inventory levels produced intense promoting. That helped drive sales during the month, but at the expense of margins.

This January, by comparison, many discounters reported more modest promoting because of cautious buying for Christmas. As a result, the quality of January's sales was much better than that of sales in January, 1985.

K mart is a case in point. Comparable store sales in K mart's discount stores declined 1.7% during the month, but apparel sales rose 5.8%, enough of a gain to prompt Chairman Bernard Fauber to

(Continued on page 73)

Jamesway's '85 Earnings To Fall Despite Sales Gain

SECAUCUS, N.J. — Higher than expected operating costs and a poor second quarter will hold Jamesway's recently ended fiscal year earnings below those recorded a year ago.

Despite a 10% sales gain for the year ended Feb. 1,- Jamesway's earnings will not rise above the $13.26 million the discounter netted in fiscal 1985, said Jamesway president Arlie Lazarus.

Jamesway's earnings declined more than 50% in its second quarter, to $1.58 million on a 6% sales gain. Driving that decline was a 1% decrease in store-for-store sales, caused principally by cold weather in the Mid-Atlantic states, Lazarus said.

The company's earnings also suffered from higher than anticipated interest costs in the second half of the year. Those interest costs were tied to a $25 million convertible debenture offering last May, intended to finance the 1986 expansion plans. In addition, Jamesway said that costs associated with store renovations and MIS improvements cut into profits.

Despite the anticipated earnings decline, Jamesway is moving ahead with the 1986 expansion plans. The discounter expects to open 12 to 15 stores this year.

Renovations of existing stores are continuing. Four stores are currently under renovation.

Tepe to Unveil Smaller Prototype Showroom

SOUTH BEND, Ind. — E.H. Tepe plans to unveil a scaled-down, 31,000-sq.-ft. showroom this summer in Warsaw, Ind. as the prototype for the company's expansion into smaller markets.

The nine-showroom cataloger has "targeted a number of markets where it could open scaled-down units," an executive said. A successful move into Warsaw could result in the $50 million company unveiling "at least four more similar-sized showrooms during the next few years," he added.

Tepe's scaled-down Warsaw showroom, which will be about 15,000 sq. ft. smaller than its average 45,000-sq.-ft. unit, will serve an area of about 100,000 people as compared to the chain's typical 200,000 population draw, with some showrooms in 300,000-400,000 population markets.

The Warsaw unit will devote about 17,000 sq. ft. to selling space and will feature Tepe's first extensive use of self-service displays. While the cataloger will maintain its heavy commitment to sales-clerk service for such key categories as jewelry, giftware and consumer electronics, it will now selectively mass display housewares, small appliances and sporting goods merchandise.

Warsaw is located among three other cities—South Bend, Mishawaka and Marion, Ind.—where Tepe already has showrooms, so the new store won't entail any major additional advertising or distribution costs, the executive said. The three other showrooms already draw customers from Warsaw, and Tepe's trucks pass through the city with deliveries to the other units.

The decision to probe a new expansion direction came as

(Continued on page 74)

HRT to Close 32-Store Zodys Chain

LOS ANGELES — HRT Industries has decided to close its troubled chain of Zodys discount stores.

Although executives at Los Angeles-based HRT refused comment at presstime, sources in the market said that the process of closing the 32 Zodys stores is about to begin and will continue throughout the year. Several Los Angeles retailers, including Ralph's, a supermarket chain owned by Federated Department Stores, and HomeClub, a chain of home centers, are among those companies set to take over the vacant Zodys stores.

Unions representing Zodys employees said they were informed in mid-February that the stores would be closing, although HRT did not give the unions a specific timetable for the shutdowns.

Three D Departments, an East Hartford, Conn. company which operates leased domestics departments in Zodys, said it had been informed by HRT that Zodys would begin closing stores during the first week in March.

Some stores, according to Three D, would remain open longer in an attempt to close-out the chain's inventories.

According to real estate sources that are familiar with the Los Angeles market, HRT began negotiating with Ralph's back in August for the rights to between 11 and 15 stores.

But the deal was held up because HRT had difficulty finding buyers for the other units. Although Ralph's has refused comment on the negotiations, the *Los Angeles Times* recently reported that architects at a local store design firm are already working on plans to convert several Zodys units.

HomeClub, which was purchased recently by Zayre, has obtained the rights for five of the Zodys stores. Vons, another area supermarket chain, also said it was negotiating for two of the units.

No Contenders

To date, however, no major discount chain has emerged as a contender for any of the Zodys sites.

HRT was purchased in 1983 by New York-based Rapid American, which also owns the McCrory chain of variety stores, and Schottenstein Stores, based in Columbus, Ohio. After HRT emerged from Chapter 11 early in 1984, Rapid American bought out Schottenstein to end the joint venture.

In mid-1984 HRT sold its 83 shoe stores and closed six Zodys stores in Northern California.

In April 1984, David Green, a close associate of Rapid American chairman Meshulam Riklis, took over the position of chief executive officer at HRT.

HRT has attempted to carve out a niche for the Zodys stores by targeting the low-end of the market and serving the Los Angeles market's ethnic populations, especially Latin-Americans and Asian Americans.

But the chain has never been able to regain the market share that it lost in the early 1980's, when cash-flow problems produced out-of-stocks and eroded the chain's competitive edge in its key locations.

Zodys was also recently hurt by Circuit City's decision to stop operating leased consumer electronics departments in Zody's stores. The Richmond, Va.,-based Circuit City, one of the industry's top CE specialists, opened seven "superstores" in the greater Los Angeles Area in November and December. Several of those units are in direct competition with Zody's stores.

K mart Rumor Tickles Street

TROY, Mich. — The latest rumor to be cranked out by the Wall Street mill has Gulf & Western Industries Inc. acquiring K mart.

In between chuckles, industry analysts say the going price for K mart would be in excess of $6 billion for 125.5 million outstanding shares. If Gulf & Western confounds all the experts and decides to make a serious offer, it would in effect, be trying to acquire a company with twice its assets.

With 63.7 million outstanding shares, Gulf & Western is valued at about $3.2 billion.

Analysts point to several reasons why this is not a marriage made in heaven. They note that K mart is experiencing negative growth and is losing market share. And such a move would be contrary to the recent Gulf & Western trend for shedding its retail operations, rather than making a bid for one of the nation's largest.

Wall Street wisdom has labeled this most recent rumor ludicrous, but that doesn't mean it isn't keeping its eyes on K mart stock. As one analyst said, "We will never see it coming," until it happens.

Both companies have issued denials.

BACK-TO-SCHOOL

Student Needs Drive Back-to-School H&BA Sales

Item	Unit Movement	Average $ Retail	Total $ Movement*
Shampoo			
Ivory Shampoo Normal, 15 oz.	42,424	$1.98	$84,000
Head & Shoulders Cond. Lotion 15 oz.	8,753	4.57	40,000
Flex Extra Body Shampoo 15 oz.	18,182	1.98	36,000
Mousses			
Suave Mousse Extra Control 5 oz.	7,930	2.27	18,000
Vidal Sassoon Extra Hold 9 oz.	4,665	3.43	16,000
Aqua Net 5 oz.	11,765	1.19	14,000
Eye Care			
Bausch & Lomb Sensitive Eyes Saline Solution 12 oz.	17,128	3.97	68,000
Bausch & Lomb Saline Solution Regular 12 oz.	9,572	3.97	38,000
Allergan Soft Lens Cleaning Tablets 24-ct.	5,195	6.93	36,000
Toothpaste			
Aqua Fresh pump 4.6 oz.	34,320	1.69	58,000
Colgate Pump 4.5 oz.	28,402	1.69	48,000
Crest Tartar 4.6 oz.	28,931	1.59	46,000
Vitamins			
Centrum High Potency Multi-Vitamin 130-ct.	8,615	8.59	74,000
Caltrate 600 Calcium Vitamin 60-ct.	2,597	6.93	18,000
Theragram M 130-ct.	1,056	9.47	10,000
Medicated Skin Care			
Oxy 10 Medication 1 oz.	3,258	3.99	13,000
Stridex Pads 75-ct.	3,324	3.49	11,600

*Rounded figures.
Source: Boston Distributors, Maple Heights, Ohio, for July/August 1985. Boston supplies over 750 stores, including about 400 discount stores, in 18 states. Average retail prices listed by the distributor reflect typical price points for discount stores.

BTS Causes Strong H&BA Performance

By CHARLES BOWLUS
Vice President,
Boston Distributors

Back-to-school represents one of the strongest selling seasons for health and beauty aids.

The retailer who devotes promotional support and space in the seasonal area of the store will effect a significant increase in both sales and profit in the H&BA category.

Exceptional seasonal growth should come from products oriented towards the student population. If you set up a table with a variety of barettes or hairbrushes at the same price, or multi-packs of combs, you can really pick up a lot of sales.

Cosmetics are also fantastic for back-to-school promotions. Take advantage of manufacturer prepacked units featuring back-to-school type themes like mascara with a free refill, or, percentage off promotions on full lines.

Manufacturers will prepack special items in a display that's just perfect for selling merchandise in the back-to-school area and away from the cosmetic aisle. Fragrances are also available in similar promotions.

Back-to-school is also a big time for vitamins. Centrum, which was the top seller during the 1985 season, is always good, but most retailers run it close to cost on ad. We recommend that retailers take an assortment of the higher profit non-national branded multi vitamins—C, E and B complex—and run them either in a display or an ad, or even just with special signing over the vitamin section.

Students heading off to college also stock up on contact lens care products, especially for soft contact lenses. Saline solutions, like last year's No. 1 Bausch & Lomb for sensitive eyes, could pick up impulse sales in a bulk display or endcap.

Female college-bound students also stock up on femi-

(Continued on page 73)

Don't be embarrassed if you picked the steer's head. A lot of people do.

But let's face it. Not everyone in Dallas has the same tastes as J.R. Ewing.

Actually, you'll never have to worry about what to stock or what styles sell best. That's the responsibility of Kenney service reps nationwide.

Depending on your store's size, a Kenney rep will visit every 2, 3 or 4 weeks.

And because each store receives personal attention, you're guaranteed more efficient ordering tailored exactly to the local buying patterns in each one of your stores.

Frequent visits also mean lower inventory levels and help eliminate stockouts and lost sales. Not to mention a better looking display.

Furthermore, Kenney service reps work with your store managers, department managers and sales people. Training them to maintain the display and effectively manage Kenney's full line of vinyl and

Caldor's Davis Gives Soft Lines a Hard Look

(Continued from page 15)
time, her vision is clear: "I see Caldor emerging as a main floor (department store) apparel environment, with those kinds of resources."

For now, a cadre of private labels will probably represent the department store resources. Davis won't target a goal for private label business, however, because she hopes department store vendors will eventually sell national brands to the chain. "Ten years ago, Mervyn's was 90% private label and now every brand wants to be in their stores," she points out.

Davis's philosophy about emulating Mervyn's is based on the No. 1 directive for remerchandising: keep Caldor's existing customer base. A consumer study last year reaped specifics as to who the Caldor shoppers are and what they want.

The survey revealed that 100% of the chain's shoppers also shop department stores; the average income is around $25,000 and 65% are between 30 and 65 years old. Proof of the Caldor shoppers' savvy came in other statistics. For example, 60% of the chain's book business is in hard cover books.

In general, Caldor customers indicated through the survey that they want better quality and more fashion in apparel, Davis said.

Going forward, the price range in sportswear will generally range from $10 to $25, Davis said. That represents a shift upward from a year ago when opening price points were $7 or $8, she explained.

The new approach to private label includes several names targeted to a specific classification and customer, not unlike the approach taken at K mart. Labels pegged to appear this year include Harbour Trading for gentlemen's golf shirts and shorts, Johnathan David for more contemporary men's looks and Today in California targeted for young men.

> ***'I see Caldor emerging as a main floor (department store) apparel environment, with those kinds of resources.'***
>
> —Barbara Davis, vp soft lines, Caldor

Other private labels will include Cleo, Spirit, Spirit Sport and Pembrooke Classics in ladies'; Gemini in girls'; Generation 2000 in boys' and Muffet and Sandbox for infants and toddlers.

Unlike at K mart and other discount chains, Caldor's efforts to build private label doesn't mean going to the orient to program fashion basics. "In order to change our market share quickly, our buyers would have to be experts on design, color and cut and trim," Davis said. "We're not ready for that.

"We're all pressed to make more money and get better margins. But one mistake that we make in this business is that we expect our buyers to be designers."

Davis said imports would continue to account for around 10% of the apparel mix going forward.

Name brands, albeit mass market names, figure in the chain's apparel positioning already. Some 20% of the chain's television spots in the New York area were devoted to apparel this year, Davis said. In those spots, brands including Lee, Gitano, Buxton and McGregor were featured.

In hosiery, another department slated for new fixtures this spring, recently added Hanes goods "are flying," she added.

Hot Colors Spice Up Personal Sales

(Continued from page 8)
profit we're going after. Whatever you gain in the hot colors, you're losing on your everyday basic."

At Heck's, sales in personal care are expected to increase 10% this year, as they did in 1985, but buyer William Eades said that will come mostly from a continuation of last year's stepped up promotional activity. He said the chain started advertising the category twice a month last year, up from once per month in 1984, and expects to continue on that pace through 1986. Everyday margins on personal care appliances are 25% to 30%; on sale, the chain tries to hold to 10% to 15% margins, said Eades.

He added, though, that the category should also benefit from a first-time infusion of color in May or June of the High Energy line, which will be advertised for back-to-school in August, as well as in the last quarter for Christmas.

Eades said the color lines will be priced at about $13.97 for the hair dryer, $7.97 for the curling brush and $6.97 for the curling iron. The chain's basic line, Windmere, will be priced about $1 lower.

Unlike several other buyers, Eades looks at the fashion colors as plus business, which won't steal from basic assortments. He explained the color items appeal mostly to older girls and teenaged women who will buy the items for themselves, rather than sharing with their families as they had in the past.

S.E. Nichols is also joining the color bandwagon in personal care with the addition of The Hots line by Helen of Troy. Buyer Bernard Weiler said he is filling three gondolas with eight items in all three colors—magenta, ultramarine and yellow—including the Bikini Mate ladies' shaver.

Many discounters appear to have taken a cautious route, adding color personal care appliances only this year, having watched their performances in other chains last Christmas. Catalog coordinator Jewelcor Merchandising, on the other hand, featured the High Energy line on a full page in its 1986 book, which came out in early fall 1985, in time for holiday sales. Jewelcor was, though, the only coordinator to pick up a color line in time for a current book.

Randall, buyer for Paysaver, a member of the Jewelcor group, said during Christmas, he sold more units of the High Energy hair dryer than any other it carried, although other dryers did better in dollar sales. He said that while the color items didn't boost sales in personal care, they probably stopped the category from declining.

For the 1987 catalog, Randall said Paysaver will probably again feature the High Energy line, but perhaps in only three colors rather than four. By next year, the color concept will no longer be fresh, and the overall category isn't growing to warrant an addition of sku's in other color lines, he explained.

In its 1986 spring and summer supplement, Consumers Distributing featured The Hots line in magenta and aquamarine, priced at $14.92 for the hair dryer, $6.94 each for the curling brush and iron and $13.96 for the Bikini Mate. The supplement also featured Clairol's bikini shaver for $17.97.

Best Products, though, is one cataloger steering clear from the color appliances. A chain spokesperson said the items are too trendy, and therefore don't fit in to a catalog atmosphere.

Discounters Close Out 1985 with Modest Increases Despite Consumers' Cautions

(Continued from page 3)
sound an optimistic note. He said the gain reflected "the merchandising improvements being made in that division."

Despite the overall sales decline Fauber said that K mart's discount stores were in a stronger position at the end of this year than at the close of fiscal 1984.

"Much better controls were maintained this year and it was unnecessary to liquidate inventories through excessive markdowns," Fauber said.

Consumer demand in electronics was evident from January sales gains at several specialty discounters. Circuit City recorded a 56% sales increase in January to $63.6 million. Comparable store sales were ahead 8%, and the chain said it was particularly pleased with the performance of 16 stores opened in November and December.

Tandy's United States retail operations, which include Radio Shack and several smaller brand-name oriented chains, reported a 13% January sales gain to $196 million.

With the modest January sales gains, many observers were predicting slow growth for the first quarter of the new fiscal year. The Consumer Confidence Index, an on-going study published by The Conference Board, fell to 97.3% in January. Consumer buying plans for the next six months are also soft, the board said.

"While the latest figures clearly do not suggest rapid acceleration in economic growth, they are also not flashing any of the signals that traditionally precede a recession," said Fabian Linden, executive director of The Conference Board. "Consumers are now telling us to expect only modest growth during the first quarter of this year and their advice has proven to be sound in the past."

BTS Promos Cause Strong H&BA Sales Performance

(Continued from page 20)
nine hygiene products, like tampons and napkins.

Medicated skin care products is not a big category generally, but does have strong sales this time of year. Top sellers last year included Oxy 10 Medication, Stridex Pads and Clearasil ointment.

Shampoo is a 12-month category—but still a great thing to promote for back-to-school. We recommend that retailers try some of the newer things that are real hot and cheap like Aqua Net shampoo, a good promotional vehicle at under $1, or White Rain shampoo from Gilette.

Mousses would also be great to feature for back-to-school for their appeal to the teenage and young adult segment. It's a newer category, and a lot of promotion is available; this could be a very profitable category to promote.

Somethings that are hot this year and could be all plus sales are the hair color mousses and gels, like Colorific from Vidal Sassoon and Pizzazz from Clairol.

Additional year-round categories often promoted around back-to-school time include deodorants, toothpaste and barsoap.

One innovative new deodorant worth featuring this back-to-school is Real from Mennen. It's called a smooth-on and is geared towards women.

In toothpaste, right now the hottest thing going is Crest Tartar, which had a strong showing last year and is now out in gel formulation. The pumps will also continue to win business.

Toothpaste, though, is not a high profit category, so merchandise it with along with more profitable toothbrushes and dental floss for tie-in sales.

Reach, Oral B, Pepsodent and Colgate toothbrushes are always good choices in the over $1 price range. The Dr. West brand does a good job in the 39¢ range.

Also, watch out for good manufacturer promotions on another steady category—bar soap. Around the back-to-school season, manufacturers offer special prepacks, like four soaps bound together with a buy three, get one free offer, or with a cents off label on the wrapping.

The key to maximizing the sales and profits of health and beauty aids is the display of these items with your other back-to-school promotions.

Target Closing Centers

(Continued from page 1)
market category, but is discontinuing both its installation services and its sales of tires and shock absorbers. He said the sales of tires and shocks, installation services and auto servicing accounted for less than 1% of Target's sales volume. All other automotive products will continue to be carried in the chain's automotive department.

The vast majority of Target's TBA centers are part of the main store building and will give those stores additional space to use as needed. However, Target has developed no formula for how it intends to use this additional space. Rather, the chain will examine the additional space on a store-by-store basis to determine the best solution. For instance, those stores which lack adequate backroom space might not even use all of the additional square footage for merchandising.

Hite was unsure of the average number of square feet involved in TBA centers. Changes in the Edina and Garland stores involved 1,800 sq. ft., he said.

Hite downplayed the possibility of automatic space increases for consumer electronics, or any other category. He says CE benefited from past TBA closings because the department was adjacent to the installation centers.

Hite explained the goal is to bring all Target stores into conformity through remodeling, using prototypes that will be similar to stores in Edina and Garland as models. At this time, however, Target is still studying consumer reactions to these stores and may continue reworking space.

The chain's emphasis in these prototypes is on a more fashion-oriented presentation in apparel departments, home goods classifications and its Basic & Leisure World.

CS150-3

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Heck's opened its newest prototype in Proctorville, Ohio as chairman Russell Isaacs (inset) met with bankers to explain a major accounting error that usurped the chain's 1985 profits.

Heck's Surprise Loss Sets Back Turnaround

WEST NITRO, Va. — The dramatic downturn in Heck's projected earnings came at a time when the company seemed on its way to reversing its fortunes and reemerging as a strong regional chain. Now, in the words of one analyst, Heck's must go "back to square one" and begin all over again rebuilding the confidence of both its vendors and Wall Street.

The irony of the sudden reversal of Heck's fortunes is that it came on the eve of the debut of a new store prototype, one that was supposed to embody all of the merchandising and operations refinements that would help lead Heck's back to solid profitability. Now industry observers are wondering if Heck's will be able to find the time and the money to allow its latest merchandising strategies a chance to work. (For a report on how Heck's has honed softlines in the prototype, see page 15.)

"The revelation came at a time when all of the work was to pay off," said Guy W. Ford, an analyst with the Norfolk, Va.-based Investment Group of Virginia. "They have done what needed to be done in terms of streamlining merchandise and distribution functions. Store expenses, wages, utilities and delivery systems were all being addressed."

Despite all of those efforts, Heck's will show a loss of about $4.5 million for fiscal 1985, at least in part because of what Heck's chairman Russell Isaacs called a case of be-

(Continued on page 45)

Discount Store Stocks Reach New Highs in Bull Market

By STEVE MALANGA

NEW YORK — The bull market which has kept Wall Street flush with excitement has been driving discount store stocks to new highs almost daily. Investors, buoyed by low interest rates and declining oil prices, have rushed into the market with a taste for retailers whose performance they believe will be boosted by renewed confidence in the economy.

The Discount Store Stock Index, which tracks the performance of 45 retail stocks, has steadily outpaced the rest of the market through the first three months of 1986. All indications are that investors will continue to value discount store stocks, especially those of smaller specialty retailers.

Neil Nordby, president of Nordby International, the Boulder, Colo.-based research firm that compiles the *DSN* Stock Index, said that of the nearly 50 industries whose stocks his company tracks, discount stores have remained among the top four or five performers as a group throughout the year. Market watchers see that trend continuing despite some predictions the market is ready to bottom out.

"Stocks that have been winners with good earnings momentum and strong expansion records will continue to grow," says Thomas Tashjian,

(Continued on page 46)

Specialists Lead Bull Market

Company	Closing Price 3/12/86	Closing Price 12/30/85	Net Change in Period
Circuit City Stores	41.25	24.75	16.50
Federated Department Stores	78.00	66.50	11.50
Crazy Eddie	28.75	18.38	10.37
Zayre Corp.	70.25	61.00	9.25
Wal-Mart Stores	40.50	31.25	9.25
May Department Stores	69.75	61.50	8.25
Highland Superstores	34.63	26.88	7.75
K mart	42.00	35.25	6.75
Toys "R" Us	40.63	35.63	5.00
Pic 'n Save	34.63	30.13	4.50

Source: DSN Reseach

McCrory Paring Down T.G. & Y. Operation

OKLAHOMA CITY — McCrory Stores has begun paring down T.G. & Y. by laying off several hundred headquarters workers and holding liquidation sales in T.G. & Y. stores scheduled to be closed soon.

Some 180 T.G. & Y. headquarters staffers were recently released in what amounts to the first stage in the eventual shutdown of T.G. & Y.'s headquarters here. By October, only 5 T.G. & Y. employees will remain here as part of a small regional office of McCrory Stores, the company said.

The remainder of the nearly 600 staffers still working at the headquarters will be dismissed, except for a very small group which will be transferred to McCrory headquarters in York, Pa.

Although it is too early to tell who at T.G. & Y. will be offered positions with McCrory, most of the Oklahoma City-based retailer's top people probably will not make the trip to York. Both former T.G. & Y. president Richard Rusthoven and Dwayne Hoven, who had been appointed one of the general managers of the company after McCrory took over, have left. J.T. McKitrick, former senior vice president of field operations, is now serving as executive vice president and general manager of T.G. & Y.

McCrory has slated about 200 T.G. & Y. stores, mostly Family Center discount stores, to be shut down. Some of those closings were scheduled to start in the beginning of April, but industry sources were unsure which units were targeted for closings.

"We haven't seen a list of which stores they're closing," said a source in Rose's real estate department. "We have asked for one, but we've heard that it isn't available yet. They're being secretive about the whole thing."

A source at T.G. & Y. said that the closings would include 24 of the 80 stores the company operates in Oklahoma. Several of those stores would be in Oklahoma City, where T.G. & Y. has 23 stores. But Larry Ritchey, a spokesman for McCrory Stores, said that the chain did not plan to pull completely out of Oklahoma City, where T.G. & Y. has been losing market share steadily to Wal-Mart and Target.

Rose's is interested in acquiring stores in its primary

(Continued on page 45)

Target Eyes Northern California

SACRAMENTO — Now that it is firmly entrenched in Southern California, Target Stores is eyeing a drive into several of the state's northern markets as part of its West Coast expansion.

The discounter has been searching for sites from Los Angeles, where it operates 29 stores, to the San Francisco Bay area, said a Target spokesman.

"Our performance out there [Southern California] has clearly indicated that additional stores on the West Coast would be appropriate," said George Hite, Target's vice president of public and consumer affairs. "We feel that we have plenty of additional room to grow there."

Target currently operates 32 stores in California and has slated five or six new stores to open there for 1986. But all of those stores are in the Los Angeles and San Diego areas. It is unlikely, said Hite, that Target's Northern California expansion would commence this year.

Target is still searching for sites in Northern California and has not committed to any locations, said Hite. But sources in at least one market apparently believe Target is sure to head there.

According to press reports

(Continued on page 46)

0024037C DS
MS JEANNE LONG
CONGRESSIONAL INFOR SVC 1MU
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

IN BRIEF

■ **CONSOLIDATED STORES** has purchased 20 stores from a regional supermarket chain in North and South Carolina to convert them to Big Lot closeout stores for a May 1 opening. This represents the beginning of a thrust into Southeastern markets.

■ **KNIGHT–RIDDER'S** carefully watched experiment in electronic shopping is coming to an end. The company is terminating its two-year-old Viewtron shopping service due to lack of volume. The service attracted 21,000 subscribers in two years.

Chains Seek Fashion DIY Items at Show

CHICAGO — With the rapid growth of home centers squeezing profits in major do-it-yourself products, discounters coming to the 11th National Home Center Show said they were looking to build profitability in their hardware mix by focusing on accessories and DIY products with a fashion orientation.

Although most discounters have deemphasized items like building materials, many said they still found the Home Center Show valuable as a hardware exposition, a chance to get a mid-year look at what's new and zero in on products and trends before the Hardware Show in August.

"For a hardware buyer, this is really the only spring show where there is any opportunity to pick up new programs or get ideas until the Hardware Show," said Carlos Owens, Heck's buyer.

"If I can find something interesting here, why not take it and put it in right away instead of waiting until August," said Alan Banks, divisional merchandise manager for Ames Department Stores.

Banks came to the show looking for small, self-contained programs. Among those offerings that he found notable was a line of garage door accessories by Stanley which included extension springs, hinges and other replacement parts in coordinated packaging.

The explosive growth of home centers has not hurt Ames' hardware business, said Banks, because of the chain's focus on smaller convenience items, not products designed for large DIY projects. The department's biggest gainer in recent months, for instance, has been batteries and flashlights, which have been coordinated into a section which stretches to 16 ft. in stores.

"These are the kinds of everyday items that people use up quickly and will come to us, not a home center, to replace," Banks said.

One trend which several discounters said that they felt their chains might be well-positioned to exploit was the emergence of fashion in DIY products. In everything from bathroom accessories to ready-to-assemble furniture, vendors were showing more carefully coordinated color programs, better packaging and more sophisticated designs—all targeted at the DIY customer.

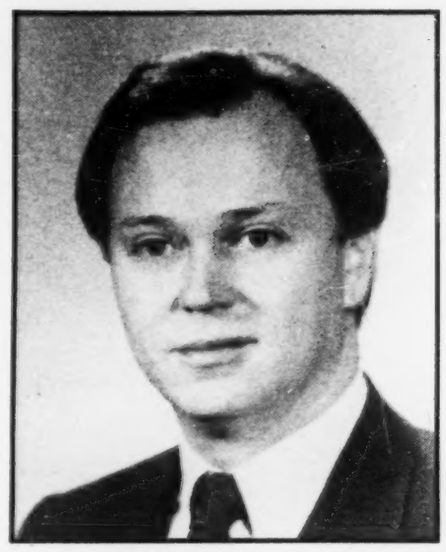
Several chains, including Target, Bradlees and Hills, have shown more interest in better-quality unfinished furniture. The furniture itself might bring margins of 33%, said one buyer, but more important were the profits which came from accessories such as stains, paint brushes and sand paper. A piece of unfinished furniture sold at $100 might bring with it $30 to $40 in accessories sales at margins that average more than 40%.

One key issue in the unpainted furniture business was how to merchandise the product. Target has folded it back into its Home World section, with all other furniture, while Bradlees places it in hardware departments. Hills also merchandises the category in its home sections, although product is bought by the chain's paint buyer in a 15-store test.

"We're testing a 16-ft. section. You need at least that much space to do the job right," said Doug Ritter, merchandise manager at Hill's.

As the ready-to-assemble

(Continued on page 46)



George Jones

George Jones Promoted At Target

DSN Nationwide Report

Four top discounters—Target, Caldor, ShopKo and Zayre—have announced changes in key executive positions.

George Jones has been promoted to senior vice president, general merchandise manager, hardlines, at Target. He reports to president Robert Ulrich.

Jones came to Target in February 1985 as vp, merchandise manager, from Sibley, Lindsay and Curr in Rochester, N.Y., where he held a similar position.

A new senior vp, gmm has also been named at Caldor. Arthur M. Heller will oversee buying in hardlines, one of Caldor's three merchandising divisions.

Prior to joining Caldor in 1973 as divisional merchandise manager, Heller had been with S. Klein in New York

(Continued on page 46)

Denver Expansion is First

Buyer's Club Warehouses to Open

AURORA, Colo. — Add Buyer's Club to the list of membership warehouses gearing up for a major expansion effort.

The company plans to open two membership warehouses in the Greater Denver area this fall, doubling its count there, and to expand into other new markets with at least seven new stores.

Ten warehouses planned for next year will give the chain 21 units by the end of 1987.

This growth plan will be fueled by the privately held company's $10 million stock placement with a corporation "that has asked that its name be kept anonymous," said Arnold L. Jacobs, Buyer's Club corporate marketing director.

The stock deal followed last month's spin off of the Buyer's Club operation into a new company, Buyer's Club Markets, by its founder and parent firm, discounter Union Hall. The Union Hall principals—chairman Elbert Bagus, president Kenneth Bagus and vice president Stuart Bagus—remain the major stockholders in Buyer's Club Markets; the unidentified company has a minority share.

As part of the spin off, Buyer's Club plans to move its headquarters next month from Rockford, Ill., Union Hall's home, to a 16,000-sq.-ft. building located in the Denver Technological Center. "Union Hall will still have a very strong relationship with Buyer's Club," Jacobs said.

Kenneth Bagus said Union Hall's volume last year from its two discount stores and Buyer's Club units was about $90 million, mostly from the membership warehouse operation. He added that the Buyer's Club was one of the few membership warehouses which showed a first-year profit.

Buyer's Club's first membership warehouse was opened in 1984 in Aurora, Colo., a suburb of Denver. It was followed in December 1985 with a unit in Arvada. This fall, it will unveil stores in Englewood and Thornton, also in Denver, while its future growth will be "throughout the United States."

The membership warehouse's plan "is to own its own buildings and, in some cases, even the land," Jacobs added.

In Denver, Buyer's Club battles PACE, which has warehouse units in Aurora and Englewood. Later this month, PACE also plans to open in Arvada, and a fourth unit is planned for Thornton later this year.

REPORTER'S NOTEBOOK

Chains Test Flex Hours, Incentives To Ease Operations, Personnel Woes

HOLLYWOOD, Fla. — Executives from about 40 chains exchanged ideas about pressing personnel and operational problems at the NMRI's recent Human Resources and Store Operations conference.

Here are a few ideas presented at the conference as ways to address some of these problems:

■ Fisher's Big Wheel is now testing flex hours in its finance area involving 75 to 80 employees, said Jeffrey Dentz, vp, human resources.

If four people work in accounts receivable, for example, at least one person must be in during regular office hours, 8 a.m. to 4:30 p.m. The other three may arrive any time between 7 a.m. to 9 a.m. and, depending upon when they started, work until 3:30 p.m. to 5:30 p.m. Each department sets its own schedule.

Aside from allowing workers to choose convenient working hours, benefits of this system include staggered use of building facilities and equipment, like the cafeteria and computer terminals.

■ The Northeast, and New England in particular, "has been plagued by a lack of help, good or bad," said Paul Duval, vp, Ann & Hope. The chain's response: If the stores can't be where the help is, take the help to the store.

Ann & Hope, with stores in Massachusetts and Rhode Island, transports workers in 12- to 15-passenger vans, up to 60 miles one way, at a cost to the chain of $850 per month.

■ Jamesway has just given district managers a budget for rewarding employees for jobs well done. Gerald Fitzgerald, vp, personnel, said these morale-building awards will be distributed in the form of gifts, like dinner certificates or tickets to sports events.

■ In a good neighbor gesture, Hills offered a free Videoprint program for children in its Canton, Mass., office. More than 50 children were videotaped for a visual and voice record should they ever be reported missing.

A secondary benefit of the program for Hills, also suffering from a worker shortage, was "the opportunity to showcase its office" to potential employees, said Lawrence Miller, vp, human resources.

Zayre's Stuart M. Needleman (left), Richard J. Fleming (center) and Steve Briar (right) were among those attending the Human Resources and Store Operations conference, Hollywood, Fla.

Girls' Wear Looks Trendy

Trendy junior looks in girls' 7 to 14 apparel promises powerful sales this year, discounters report. By the fall BTS season styles like the oversize tops and stirrup pants featured in Zayre's spring circular will dominate. (See story page 15.)

IN BRIEF

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H.C. Prange Dismisses 92 Staffers In Effort to Improve Profitability

GREEN BAY, Wis. — Ninety two employees, including upper and middle level managers, have been let go at Prange Way and its parent company, the H.C. Prange department store chain, in an effort to improve profitability at the company.

The chain has announced it will also close older, less profitable stores in any or all of its divisions, including its 43 unit Id chain of women's specialty stores which was also affected by the layoffs.

(However, these moves will not hurt the company's expansion plans for Id, on which the company is pegging its future health, according to Richard Unger who is vp, marketing.)

Corporate executives wouldn't comment on the layoffs or the attendant wage freeze instituted. The company's press announcement stated only that Prange has "joined the ranks of companies in all industries which are reviewing their organizations to make sure they're being operated in the most effective and productive manner."

Among those leaving the company in recent weeks, are three vice presidents on the department store side of the business, including the vp, regional director of stores, the vp, gmm, ready-to-wear, cosmetics and the vp, corporate operations manager. Their responsibilities have reportedly been dispersed among remaining staffers.

In the past, the department and discount store divisions have been run by one staff. More recent changes have given the discounter group more autonomy.

The layoffs followed closely on the heels of the resignation of president Steve Jelin and the naming to that post of Larry Sommer, a 27-year company veteran.

Jelin, who joined the firm in early 1985 from Hills where he had been vp, softlines merchandising, has since joined Zayre as senior vp, gmm, for men's, children's and selected women's wear categories.

Jelin's softlines merchandising experience was a major drawing card in his drafting by the 20 unit midwestern chain, which had been positioning itself as a more fashion-oriented discounter in its markets which were dominated by price-driven and hardlines-oriented Shopko and Kohl's department stores.

Competition will be further intensified this year when Target moves deeper into and Wal-Mart enters Prange Way's trading areas, which are primarily in Wisconsin.

"Prange is a small, privately owned company," one former executive noted. "It's financial resources are limited. Business just hadn't been there in the last year, in addition, [Prange Way] took some heavy markdowns."

Louis F. Busico

Alice Trost Kanigowski

Clover Reorganizes Its Merchandising Staff

PHILADELPHIA — Clover, the discount division of Strawbridge & Clothier, has reorganized its merchandising management to include two vice president/general merchandise manager positions. Previously, the chain had just one vp/gmm supervising all merchandising functions.

Louis F. Busico, who had been vp/gmm, will now be responsible only for hardlines departments. At Clover, that includes soft home merchandise.

Alice Trost Kanigowski is now vp/gmm of soft lines, a new position. She had been divisional merchandise manager over women's apparel since 1970. As vp/gmm for soft lines, she will oversee all apparel categories.

Both Kanigowski and Busico will report to Warren White, executive vp and general manger of Clover stores.

The reorganization was prompted by the 20-store chain's continued growth, according to White. For 1985, Clover's volume reached $270 million. Apparel categories account for 40% of that vol-

(Continued on page 46)

Wal-Mart Opens Closeout Unit Under MOST! Name

BENTONVILLE, Ark. — Wal-Mart has opened a 70,000-sq.-ft. processing center and store in Memphis called MOST! to handle defective merchandise.

But a report in *USA Today* that said the store is a prototype for a new chain is incorrect, according to Wal-Mart president David Glass.

Glass said the discounter has had a similar center at its Bentonville, Ark., headquarters for about eight years—operating without a logo. Retailers like Sears and Wards are among the other large general merchandisers who operate such closeout centers.

"It took us eight years before we found we needed another processing center. MOST! isn't a prototype for a new Wal-Mart venture," he added.

Wal-Mart uses the two centers to process defective and damaged goods "to centralize this operation so that individual stores don't have to deal with manufacturers or importers," he explained.

The Memphis center services Wal-Mart's stores in the Southeast and Midwest. Its customer base is much larger than the Bentonville facility, so the mix has been augmented with closeouts to attract shoppers, Glass said.

Annual Earnings Results Mixed
(In Thousands)

	Most recent completed fiscal year	Previous completed fiscal year	% change	Return on sales
K mart	$221,200[1]	$499,100	−56.0	0.09
Wal-Mart	327,500	270,800	+21.0	3.80
Zayre	94,600[2]	78,000	+21.3	2.30
Bradlees	30,600[3]	85,200[3]	−64.0	1.80[4]
Rose's	20,300	23,900	−15.0	2.00
Target	277.8[3]	235.6[3]	18%	7.00[4]
Mervyn's	245.0[3]	223.3[3]	10%	9.00[4]

[1]Net earnings which reflect a $237 million loss from discontinued operations, including Astra S.A. and K mart Insurance Services.
[2]Reflects acquisition of HomeClub
[3]Operating income
[4]Return on sales from operating income
Source: Discount Store News *Research*

Discounters Post Mixed Earnings

Nationwide DSN Report

The nation's major discounters posted mixed earnings results in 1985 as many chains struggled with soft consumer spending which produced only modest sales gains.

Wal-Mart, Ames and Zayre recorded solid earnings gains while others, including K mart and Bradlees, saw their earnings decline substantially.

At the heart of increases at companies like Wal-Mart and Ames was the ability to control costs and at a time when low inflation kept same-store sales gains modest.

"During 1985, we learned to operate in a disinflationary environment, which required a renewed emphasis on inventory and expense control," said Wal-Mart chairman Sam Walton. "Our operating results reflect significant contribution from these efforts."

While Wal-Mart's earnings rose 21% to $270.8 million, they did not keep pace with the company's sales, which spurted ahead 32%. Wal-Mart did incur substantial costs from opening expenses associated with its aggressive Sam's Wholesale Club expansion program.

Zayre's net income increased 21.3%. Discount store operating income rose a healthy 16.1%, but the real story was the rebound in earnings at Zayre's off-price apparel chains. Operating income for T. J. Maxx and Hit or Miss rose 38.4% over a weak prior year.

Buoyed by that solid year,

(Continued on page 45)

Discounters Ready for Challenge to Proposed Minimum Wage Increase

WASHINGTON — Discount chain industry leaders are preparing for a fresh election-year battle on Capitol Hill over proposals for sharp increases in the national minimum wage rate.

One bill already before the House Labor Standards Subcommittee, Rep. Gerald Kleczka's (D-Wis.) new Wage Inflation Adjustment Act, would raise the current $3.35 Federal hourly pay floor by 60¢ in two stages over the next 22 months.

But a separate and even more drastic measure was unveiled earlier this month by Rep. Pat Williams (D-Mont.). Under that bill, the hourly minimum wage would rise annually for the next five to eight years until it reaches 50% of the hourly earnings nationwide (currently more than $9 per hour).

At that point, the Federal wage floor would be "indexed" to rise automatically in step with increases in the average wage level for all workers.

Although Congressional hearings have not yet been scheduled on either proposal, the new minimum wage bills are stirring serious concern among industry lobbyists.

AGMC President Edward Borda, for one, told *Discount Store News* that his group "will spare no effort making sure Congress knows how damaging minimum wage hikes would be for our industry."

On the other side of the fence, however, supporters of minimum wage increases contend that adjustments in the national pay floor are long overdue.

"It has been five years since the minimum wage was last increased," and during that period, "its purchasing power has declined over 25%," Kleczka told Congress. "As a result, the minimum wage has never been lower in its 48-year history."

In a separate statement urging Congressional support for his indexing bill, Williams argued that the present $3.35 hourly wage minimum yields an annual income that is 20% "below the poverty threshold for a family of three, and one-third below the standard for a family of four."

Noting that the present government-recognized "poverty threshold" for a three-member family is $8,900, he said it would require "full-time, year-round work at a wage of $4.24 per hour" to keep such a family out of poverty.

Williams also made public findings of a soon-to-be released study by the National Council on Employment Policy which suggests that the value of the minimum wage is approaching historically low levels.

According to that study, "The statutory hourly wage rate rose in real terms until 1968, then stabilized in the 1970s and has fallen sharply since 1979 . . . Due to the failure to raise the minimum wage since 1981, its level has slipped below 40% (to 38.6% in January 1986) of the average hourly wage for the first time since 1949."

Borda, however, plans to counter these arguments with other studies which indicate that rising minimum wage rates backfire on low-income workers.

"Increases in the minimum wage above marketplace levels destroy job opportunities for entry-level, low-skilled workers," he said.

"Extensive economic research has shown that minimum wage increases build inflation and instability into the economy and leave nine out 10 families worse off."

Moreover, Borda maintains that proposals such as Williams' to "index" the minimum wage "would magnify those harmful effects and make them permanent."

SOFT LINES

Teen Girls Spent $7.4B Last BTS, Survey Reports

NEW YORK — Teen girls spent almost $7.4 billion during last fall's back-to-school season on apparel, footwear and accessories, according to a *Seventeen* magazine study.

Apparel captured over half, or $4.7 billion of those dollars. The teens also spent $985 million on shoes and boots, $927 million on accessories and $739 million on innerwear.

Casual looks in outerwear were most sought after. The teens purchased 14.3 million pairs of jeans at a total of $505 million—the most spent on any single item. This was followed by expenditures of $488 million for 16.2 million pullover sweaters. The study, which is based on surveys of 1,125 respondents, is projectible to a U.S. Census Bureau pool of 8.5 million teenage female students. The study was supervised by Survey Software Systems Inc.

The category with the highest expenditures was pants: Teen girls bought more than 40 million pairs of pants for a total of $1.2 billion. After jeans, narrow-leg and long, straight-leg pants were most popular. Baggies were by far the least desirable style of pants.

The teens also snapped up over 31 million sweaters, at a cost of $865.7 million, favoring pullovers and pullover vests four-to-one over turtlenecks and cardigans.

Of the 23.2 million tops purchased, over one-third were sweatshirts, totaling $143.9 million, and another third were t-shirts, totaling $99.5 million. For the entire tops category—including halters, camisoles and tanks—the teens spent $329.3.

Teenagers also spent $110.8 million on 4.3 million warm-up and jogging suits.

To prepare for the school year, teen girls bought 11.2 million dresses and jumpers, at $423.6 million, and 8.5 million skirts at $229.3 million. Below-knee length and knee-length skirts and dresses were preferred over mini skirts, both for school and dates.

The teens also spent $502.6 million on 20.5 million shirts and blouses. Size 7 and 9 each accounted for approximately one-quarter of the blouses purchased in the junior department.

In footwear, the preference was casual, too. Over 10 million pairs of casual shoes, mostly flats, were sold to teen girls last fall, at $298.3 million. In contrast, they bought 6.9 million pairs of dressy shoes at a total of $219.9 million, with heeled shoes being the dominant style. Boots were almost as popular as dressy shoes, with 3.8 million pairs purchased in preparation for the fall and winter months.

In innerwear, the teens spent $195 on bras; $186 million on lingerie; $179.9 million on hosiery and $168.1 million on sleepwear and loungewear.

More than half of the 17.9 million bras purchased were soft cups. Four million lightly padded and 2.9 million underwire bras were also purchased.

When choosing underwear, female teenagers overwhelmingly favored bikini styles over regular and brief fashions: The teens bought 24.2 million bikini panties, at a total expenditure of $86.2 million, as compared to 8.4 million regular panties ($26.1 million) and 4.1 million brief panties ($14.9 million).

Store Where Apparel is Usually Purchased

*Number of Girls Who Purchased**

Where Purchased	Sleepwear (Add 000)	Sportswear (Add 000)	Dresses (Add 000)	Suits/Coats (Add 000)
Department store	5,964	5,275	5,751	5,523
Boutique /Specialty store	913	2,279	2,797	2,098
Discount store	1,354	1,397	541	631
Variety store	734	828	458	373
Mail order	312	550	266	177
Other	285	326	233	211
No answer	229	375	127	204

**Based on 1,125 returns, projectible to a total U.S. Census Bureau pool of 8,543,000 teenage female students. Column totals reflect multiple mentions.* *Source: Seventeen's Back-to-School Study 1985*

PROCTER & GAMBLE NOTICE TO OUR CUSTOMERS

ATTENTION STORE MANAGER:

We offer Cooperative Merchandising Agreements to all retailers in the U.S.A. Some Agreements are annual—some are short term.

Payments are made for print or electronic media featuring display, and consumer directed promotion. Product coupons and samples are distributed in stores in various markets at various times. Details are set forth in specific agreements. Proof of performance (e.g., tear sheets) and proof of delivery (wholesaler's invoices) are required for some offers. Also, we offer display material, newspaper proofs, etc. to assist you in merchandising our brands.

The above promotional offers are practical and usable by all retailers regardless of size. You may now be performing under an agreement and payments are being made to you or to your headquarters.

If you are not performing or receiving such promotional offers and would like to do so, send your name, address and telephone number to Procter & Gamble, Box 162, Cincinnati, Ohio 45201 and our sales representative will contact you. Please specify, if possible, the Company Division in whose brands you are interested.

Bar Soap & Household Cleaning Products Division
Beauty Care Division
Beverage Division
Food Products Division
Health & Personal Care Division
Packaged Soap & Detergent Division
Paper Products Division

Junior Looks Boost Sales

(Continued from page 16)

For Silverman and other girls' wear buyers, following the junior market is now routine. Since BTS '85, most buyers say they have found it imperative to know what's happening in the junior market. Silverman, for example, saw a sweatshirt and sock ensemble in her chain's junior department last October, had the goods made for her 7-14 customers and on the selling floor by February. Those goods blew out of the stores.

At Maxway, buyer John Brown routinely gets together with the junior buyer and with the jewelry buyer to agree on a uniform color palette. They did that for the first time when planning spring/-summer '86.

This year, Brown is aiming to be in sync with juniors at his chain, instead of a season or two behind on styling. Typically, he will take a junior item or look, test in 10 stores and, if it sells, get it in chainwide within a month.

At presstime, Brown hadn't bought any of his 7 to14 dresses for BTS but he anticipated cutting back by at least 50%. He plans to put the money into more casual looks. "From what I saw in New York, it's fleece, fleece and more fleece for fall."

Brown and buyers at Heck's and Family Dollar emphasize that their rural, lower-income customers want fashion looks sooner than they have in the past. Stirrup pants, harem pants in black and white and the oversize prints and skimps are in for fall at those chains.

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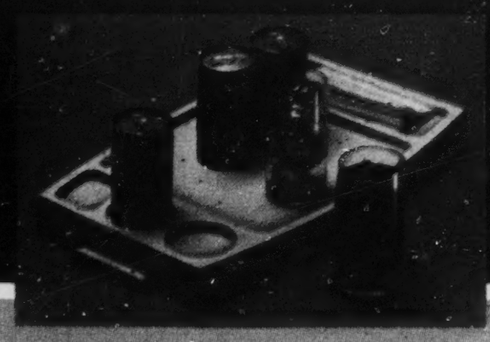

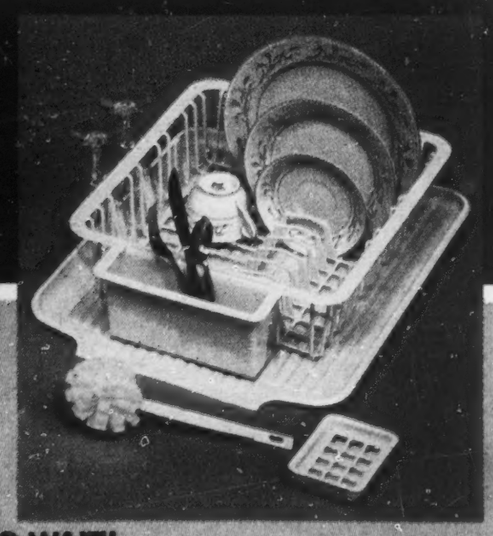

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Improved Picture, Sound Fuel Increases in CE Sales

Nationwide DSN Report

Color televisions, VCRs and compact disc players are driving the consumer electronics market by appealing to changing shopper requirements for features and higher-quality video and audio. Lower prices in all three product areas have also made a substantial contribution.

For 1984, the Electronic Industries Association Consumer Electronics Group (EIA) reports total factory sales of consumer electronics at $22.9 billion. Projections for 1985 call for $24.4 billion, and 1986 estimates are for $25.6 billion.

About $5.6 billion in factory sales of color televisions will be reported for 1985, according to EIA projections. Estimates for 1986 call for a slight decline of $5.5 billion in factory sales.

Industry observers agree that continued strong sales of color televisions are, in part, a reflection of consumer upgrading to stereo units and projection TVs. Viewers also place greater emphasis on picture quality because they have invested in other video products such as VCRs and tapes. Ray Boggs, consumer electronics analyst with Venture Development in Natick, Mass., points out, "It's easy to determine whether a [television] picture performs well or not. No special expertise is needed."

No Pattern Changes

He expects color television prices to increase between now and summer but said higher prices will not change the pattern of consumer upgrading because, "There is no going back," once the decision has been made to upgrade. He notes further proof of the trend toward upgrading in the slowdown in black and white TV sales. The sales slowdown in monochrome sets continues even as some discounters drop below the $50 barrier with smaller, brand name sets like Magnavox and Emerson.

Increased VCR sales—$3.7 billion in factory sales are projected for 1985—are credited to lower prices and a growing, healthy cassette rental industry that offers consumers more VCR options than simply time shifting.

Boggs said the lower prices have removed a barrier that prevented many households from entering the market. One out of three households now have at least one VCR, and Boggs points out that many households have two units as they "retire the other VCR to another room in the home" and upgrade with the replacement.

For annual velocity of sales growth, it's hard to match compact disc players. EIA projects 850,000 units were sold in 1985 and it estimates 1.5 million will be sold this year. An EIA spokesman agrees that as CD player prices drop to $200 and below, they are just a half step away from the mass market channel of distribution.

Boggs said, "It is perfectly reasonable to expect to find CD players in discount stores soon." However, he said that to be successful, chains will have to commit to both hardware and software. He expects some chains to back into the market by carrying the software with their traditional record collections.

The current surge in CD player sales is being helped by simultaneous releases of both the traditional black vinyl records and discs and the fact that young consumers are starting their collections with compact discs instead of 78- and 45-rpm records.

Boggs cautions discounters getting into the CD player market about the need for a knowledgeable sales person to demonstrate the product. Unlike color televisions and VCRs, most CD players are not pre-sold. So, he believes discount store sales won't be the heart of the compact disc business but adds, "It won't be trivial either."

Total Factory Sales in Dollars
(In Millions)

	1983	1984	1985 (Projected)	1986 (Estimated)
Color televisions	$5,002	$5,538	$5,660	$5,500
VCRs	1,575	2,898	3,795	3,955
Compact disc players	15	68	187	315
Blank video tapes	540	770	925	1,070
Prerecorded tapes	495	946	1,800	2,300
Car audio equipment	1,900	2,484	2,800	3,000

Source: Electronic Industries Association Consumer Electronics Group

Color video cameras and camcorders posted major changes, with camcorders—a combination camera and VCR—replacing the rapidly outdated video cameras. Since the "camcorder" category was created in 1985, $566 million in factory sales are credited to it, versus just $239 million the same year for color video cameras. Video cameras showed strong sales gains every year until 1985.

The EIA data shows home radio sales unchanged for the rest of this year, with about $560 million in factory sales expected for 1985 and 1986. Telephones are expected to slump slightly from the $970 million mark last year to a projected $966 million this year.

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Heck's Turnaround Strategy Tripped by Accounting Slip

(Continued from page 1)

ing "too damn automated."

"We had a temporary, very temporary, inventory buildup in basic warehouse-type goods, which we are addressing," said Isaacs in an interview with *DSN*. "There will be substantial relief in 60 to 75 days. Over the 60- to 75-day period, we will work off that excess inventory—it's in everyday goods. That's where the glitch came in the systems. It was in automatic replenishment of warehouse goods."

In a prepared statement issued later, Isaacs said that the accounting error produced "a temporary setback in our efforts to return the company to a strong, profitable operation. We remain firmly committed to the program we have developed for the company, a program that we believe had begun to show positive results earlier in 1985."

Those positive results should have been amplified by the latest Heck's prototype, a 60,000-sq.-ft. store in Proctorville, Ohio, with refined POS systems and an improved softlines presentation. But Heck's never had time to bask in the glow of that new store opening. For five days prior to the announcement of the accounting problem, Isaacs visited the 10 banks which hold most of the company's debt.

"We have 1000% support from all of our lenders. They are offering to not only roll over, but to increase lines outstanding, but we don't need any money," Isaacs said.

Isaacs declined to discuss the personnel changes which would take place in the accounting department as a result of the problem and would only say, "Some people might be leaving us."

Looking around the new store in Proctorville, Isaacs expressed confidence in the gains the chain has made.

"We are going from way behind to way ahead. We have all the parts to make success. The payoff is near."

How near? That is the question some retail analysts are asking.

"They are going to have to do something to generate earnings in the next couple of quarters or people are going to forget them," said Terence McEvoy of Smith Barney.

McEvoy sees potential for earnings and describes recent sales as "decent," but he said Heck's will lack Wall Street's confidence until the numbers improve.

"They're back to square one in terms of credibility. The jury is still out," he said.

What kind of potential does Heck's have? Ford, the analyst with Investment Group of Virginia, believes the company could produce 2% after-tax earnings by 1987.

And how do vendors feel? The national sales manager for one long-time hardlines Heck's account said, he too feels the company has excellent potential. But the chain is fighting an inventory problem that goes beyond the recent accounting snafu and is a result of buyers being spread too thin.

"Their buyers are always problem solving, trying to get out of over-inventory situations by promoting. They get four to six months behind the industry because of overbuying," said the vendor.

Discounters Post Mixed Earnings

(Continued from page 3)

Zayre said it expects to add five million sq. ft. of retail space this year to the 34 million sq. ft. it already operates.

K mart earnings from continuing retail operations were $471.2 million compared with $498.7 million for the prior year, a 5.5% decline. Comparable sales of K mart stores were down 0.4% for the 52-week period, but gross margins improved because of fewer markdowns this year resulting from better inventory controls.

Earnings at Rose's and Bradlees also declined as sluggish sales produced intensive promotional activity which hurt gross margins. Rose's net income slipped 15% to $20.3 million on an 8.8% sales gain.

"Stronger sales would have produced a higher gross margin and a lower-expense-to-sales ratio," said Rose's chairman L. H. Harvin, III.

Bradlees operating profits slipped to $30.7 million from $85.2 million, and parent company Stop & Shop has identified a turnaround at Bradlees as the most important issue facing it. The company plans to sell two other general merchandise divisions, Medi-Mart Drug Stores and Perkins Tobacco Shops, to free up money to help Bradlees get back on track, according to Stacy Ruchlamer, financial analyst at Shearson Lehman Brothers.

Analyst Jeffrey Edelman, of Dean Witter Reynolds Inc., noted that if there is one pattern to this year's earnings performance among discounters it is that those chains which have aggressively added new stores over the past few years have fared the best. Those chains, like Wal-Mart, benefited from having a substantial number of stores less than five years old—stores which produce better year-to-year results than older units.

Stanley H. Iverson of the Chicago-based Duff & Phelps said of 1985, "It was a tougher year than merchants expected." He pointed out that the economic recovery passed over some large pockets in the Midwest and the Southwest that continue to suffer through a slumping economy.

Iverson singled out West Coast sales as particularly disappointing. He believes lower consumer demand may be due to the impact new car purchases have had on budgets.

As for 1986, "January and February have been dull," he said, "but spring will bring improvement."

McCrory Pares Down T.G. & Y.

(Continued from page 1)

trading area, that is, within 300 and 350 miles of its headquarters in Henderson, N.C.

Other chains which have been mentioned as possible suitors for T.G. & Y. stores include K mart, Wal-Mart and Zayre, although no one has confirmed interest in the stores. Wal-Mart is reportedly looking at T.G. & Y. stores in Georgia and Florida, two areas the company has targeted for aggressive expansion.

Many of the T.G. & Y. discount stores are small by industry standards, averaging 25,000 sq. ft. to 40,000 sq. ft., and that may limit the interest of some chains in many of the sites being closed.

The closing of the 200 stores means that T.G. & Y. is being transformed largely into a variety store operator so that it will fit better with the operations of its parent company. After the closings, T.G. & Y. will still own about 270 discount stores, but McCrory now says that it plans to carve up some of those locations, setting aside enough space for a variety store and renting the rest.

McCrory Chairman Stephen L. Pistner has already said that the company is primarily interested in operating variety stores which fill a void created by the upscaling of traditional discount stores. McCrory remains one of the few successful operators of variety stores.

The 180 headquarters personnel dismissed from T.G. & Y. came from numerous parts of the company, but data processing and buying were reportedly among the largest cuts, according to the *Daily Oklahoman*, a local newspaper. About 50 to 60 people were dismissed in data processing, and nearly half of the layoffs also reportedly came among buyers and marketing and advertising personnel.

The staff cuts and store closings mean that, by October, T.G. & Y., once one of the country's largest retailers, will have reduced its presence in Oklahoma City to just 20 stores and a regional office. The company has been headquartered in Oklahoma City since its inception 50 years ago.

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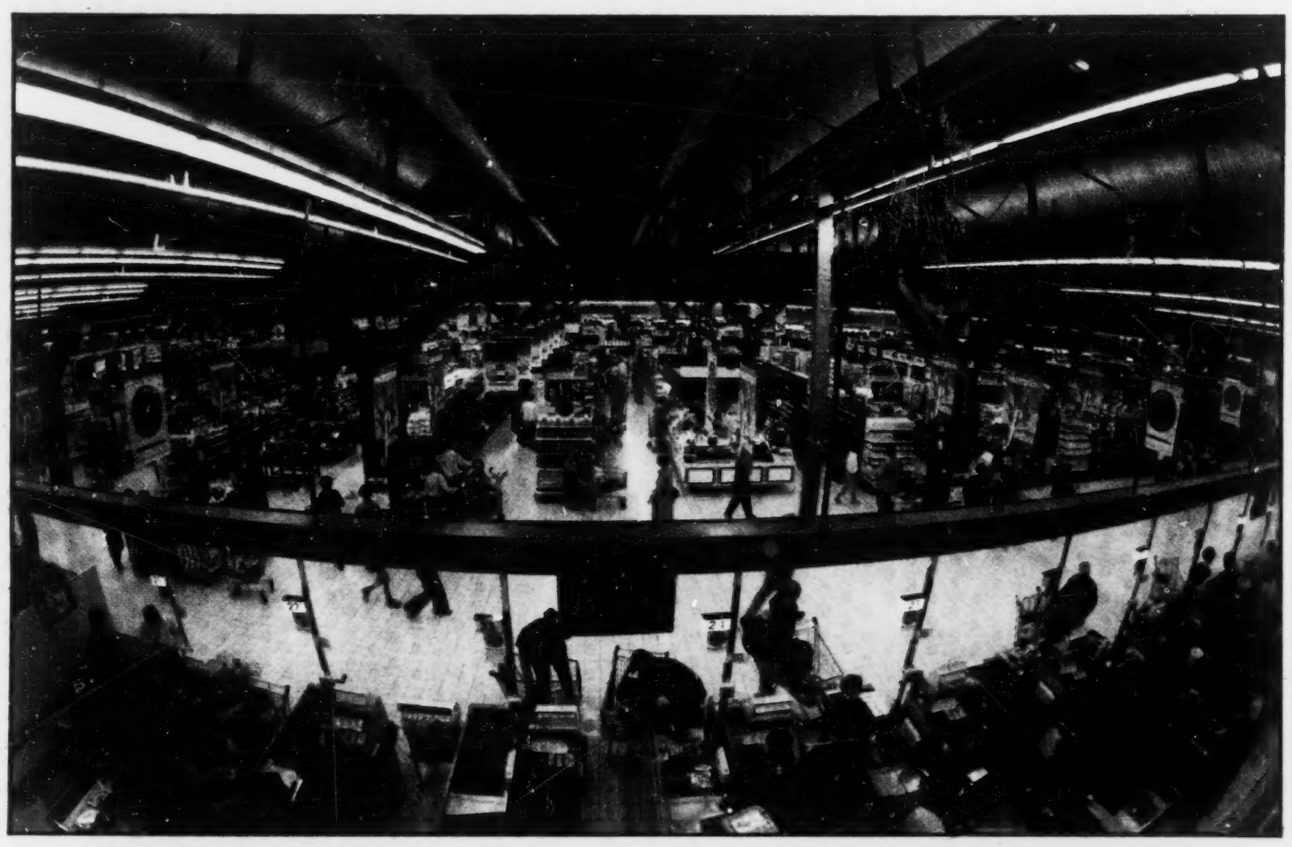


Discounters Tour European Mass Market

Hypermarkets: Venerable fixtures on the European retailing scene pose a potential threat on the United States horizon. Some American discounters cross the Atlantic to view the competition, like Dutch Maxis (above). See story, photos page 27.

Chains Eye Options As Prime Declines

Nationwide DSN Report

The continuing downward push of interest rates promises to give discounters some bottom-line breathing room in a period of modest profits.

Over the short term, discounters are saying most windfalls from declining rates will drop straight to the bottom line. But if the rates stay low, as most forecasters are now predicting, companies are soon likely to begin taking advantage of "cheap money" to refinance old debt, go to the bond market more frequently to retire current principal and lock in money now for expansion plans several years down the road.

"We're net borrowers eight months out of the year," said Arnold Dunn, treasurer at Jamesway, in discussing the impact that declining rates have on retailers. "All of the risky decisions we make to do floating rates makes us financial guys look like heroes in times like this."

The impact that lower interest rates have on a bottom line can be dramatic. As a result of acquisitions and costs associated with its upgrading program, K mart's interest expenses increased from $46.1 million in 1983 to $106.8 million in 1984. Last year, interest expense jumped again, this time to $181.2 million.

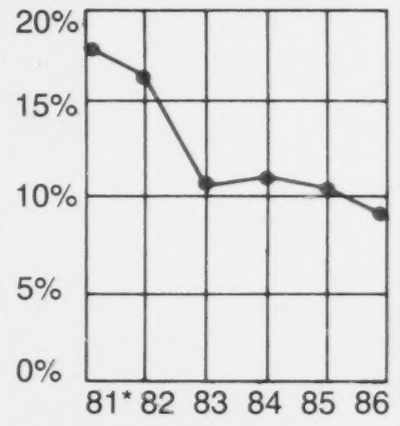
Now, lower interest rates have helped reduce that build-up. In the fourth quarter of the recently completed fiscal year, K mart's interest payments declined for the first time since the first quarter of 1984, mainly because of lower rates.

To take down some of its debt, K mart is considering going to the bond market, which has been surging because of lower interest rates and optimism over declining inflation. Last year, K mart floated several bonds, including one for $250 million over 30 years and a 10-year issue for $150 million.

One distinctive advantage of issuing bonds now is that

(Continued on page 94)

The Prime's Downward Journey



**All figures are prime rate averages for month of March*
Source: Federal Reserve Board

Streamlined SCOA to Focus on Hills Expansion After Leveraged Buyout

CANTON, Mass. — Three months after going private, Hills and its parent company, SCOA, are facing the future with a much more streamlined profile.

The company is selling off its retail shoe operations and its Wilmington Dry Good off-price apparel chain to raise funds to pay off a portion of the interest expenses incurred by the $607 million leveraged buyout. With these moves, the company will be free to concentrate on the Hills discount store operation.

Rudnick, the SCOA division, which runs leased home textiles departments at Hills is being retained.

Management, which now owns a 25% stake in the company, has said they expect the divestitures to generate about $44 million in cash.

Current plans call for the discounter to add about 10 stores annually, on a par with the new store opening schedule of recent years. Major expansion, in the form of an acquisition or start up, will be postponed for several years while management concentrates on whittling down the massive debt it has assumed.

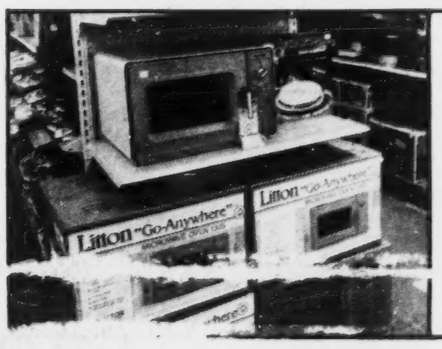
A conservative expansion program was part of the agreement for financing the takover top management made with the chain's banks.

(Continued on page 92)

IN BRIEF

■ On the heels of a 84% sales gain in the recently ended fiscal year, Ames is projecting sales of $1.9 billion for the current fiscal year, according to Ames' chairman Herbert Gilman. That would represent a 25% gain over 1985 sales of $1.5 billion. Earnings for fiscal 1985 were $40.4 million.

■ Consumers Distributing is expected to announce a new management structure for its U.S. division after the resignation of the division's president, Everett Purdy. Michael Haberman, ceo of Canadian-based Consumers Distributing, said Purdy's position will not be filled, but Haberman will take a more active role in the the U.S. division.



Housewares Show Section— Pages 47-74

Howard Executives Propose LBO

MONROE, La. — Top executives of Howard Discount Stores are putting together a leveraged buyout proposal that may be presented to parent company Wickes within days.

Within hours of a Wickes announcement March 20 that Howard's Discount Store chain would be sold, James A. Dismore, Howard's president and CEO, announced a bid by the chain's top management to acquire the 88-store chain.

At stake is a chain that reported $400 million in sales last year and which employs 4,000 people.

Wickes has said it would prefer, as a practical matter, to sell the chain whole rather than piecemeal, but a Wickes spokesman said Howard executives are not being given preferential treatment over other, unidentified retail organizations that have already expressed interest in all or part of the chain.

In addition to Howard's, Wickes is also offering for sale

James A. Dismore

Woman's World Inc., a national chain of 210 clothing stores; Mode O'Day, a franchised women's apparel chain; and Simmons U.S.A. and Simmons International. Wickes said these units had aggregate sales in 1985 of $700 million. Wickes estimates that these divestitures—combined with the previous divestitures of Red Owl Stores Inc., Snyder Drug Stores Inc. and Western Diversified Services—should generate aggregate proceeds of more than $300 million to the company. (Simmons' sales are included only for the period of Aug. 1, 1985 through fiscal year end.)

The task of selling the chain in one piece will be more difficult because of the 200 T.G.& Y. stores being offered for sale by McCrory. There are just two large discount chains that may wish to increase their presence within Howard's market who also have the resources to acquire the entire chain—K mart and Wal-Mart. K mart executives could not be reached for comment, but a Wal-Mart spokesman said the chain is currently not interested in either the Howard sites or those of T.G. & Y. Regional chains such as Rose's and Duckwall-ALCO, whose markets overlap with Howard's, have so far not expressed interest in the stores.

(Continued on page 94)

Maurice Segall

Herbert Gilman

The Readers' Choice

Cast Your Vote for Discounter of the Year

NEW YORK — Who was the discount store executive who did the best job of leading his company in 1985?

The readers of *Discount Store News* will have the opportunity to choose the industry's most successful executive last year as balloting commences for Discounter of the Year.

Five discount store executives have been chosen by the staff of *DSN* for the manner in which they led their companies last year. They are: Bruce Allbright, chairman of Target Stores; Bernard Fauber, chairman of K mart; David Glass, president of Wal-Mart Stores; Paul Kwasnick, president of Mars Stores, and Leonard Luria, president of L. Luria & Son.

This year's winner will join several distinguished discounters on the list of past award winners. Last year's winner was Herbert Gilman, chairman of Ames Department Stores. The previous year, *Discount Store News* readers chose Malcolm Sherman, president of Zayre, as Discounter of the Year.

As in the past, the winner of the Discounter of the Year award will be honored at *DSN's* SPARC (Supplier Performance Award by Retail Category) banquet, August 10, at the Hyatt Regency in Chicago.

Cast your ballot page 4.

The dinner, which recognizes suppliers in 18 product categories, will also honor this year's entry into the Discounting Hall of Fame.

This year's nominees for the Hall of Fame are: Frank Brenton, president of Marshalls; Ames' Gilman; Charles Lazarus, chairman of Toys 'R' Us;

(Continued on page 94)

Home Taping Prompts Senate To Propose Royalty Fee Law

WASHINGTON — Pending legislation on Capitol Hill that would place a federal royalty on blank tapes and recording devices got a boost late last month from the introduction of new anti-piracy technology.

Concern in Congress that the holders of copyrighted music are being robbed of royalty fees by the widespread practice of home taping prompted legislation late last year that proposes to place a five per cent royalty tax on all tape recorders and a one cent per minute royalty tax on all blank cassettes, cartridges and reels.

The bill's author, Senate Patent Subcommittee chairman Charles Mathias (R.-Md.), said the royalty money collected from the tax will be distributed to the owners of copyrighted music by the Copyright Royalty Tribunal. The Maryland Republican said the bill is designed to "ensure that the creators and producers of America's music receive fair compensation for the home taping of their works."

Mathias' bill has sparked strong opposition from representatives of the discount industry, including National Mass Retailing Institute government relations vice president Robert Verdisco, who told *DSN* that if passed, this legislation "will have an impact on the administrative costs to businesses and could create consumer resistance towards purchasing cassettes and tape recorders." Verdisco added that he does not believe the bill would force discount retailers to stop selling audio and recording devices.

During hearings late last month before the Senate Patents Subcommittee, Charles D. Ferris, speaking on behalf of the Audio Rights Coalition which represents retailers and associations such as Sears, J.C. Penney and the National Retail Merchants Association, told lawmakers that home taping is "legal" and the supporters of the bill are trying to change the law.

"Not only is the record industry doing well financially," Ferris said, but "in backing this legislation, the record companies are attacking the very people who have helped them prosper: the hardware manufacturers and record buyers."

(Continued on page 94)

Boardman Trims Catalog, Staff

ALBANY — In an effort to demonstrate to creditors that it can return to profitability, cataloger Boardman Ltd. has closed a showroom in Utica, N.Y., and plans to sell property in Albany and Schenectady, according to the company attorney, Peter Pastore. The cataloger is also re-examining its merchandising thrust in an effort to focus on high-margin goods.

But Boardman has rejected a recommendation from a creditor's committee that it eliminate the catalog aspect of its business and become a traditional retailer.

Boardman had filed for Chapter 11 at the beginning of the year because Chemical Bank refused to continue the company's line of credit. Chemical Bank is considering the renewal of Boardman's line of credit, pending review of a six-month projected profit and loss statement presented to Chemical at a meeting of Boardman's creditors.

One strategy being considered to improve cash flow is trimming the catalog selection to leave only high-margin and high-turn merchandise, said Pastore. The profitable jewelry department will be left more or less intact.

A report was recently sent to members of the creditor's committee—which includes Ajay Enterprises, General Electric and Hoover—ranking the products Boardman offers in the catalog according to profitability. A discussion of which items should be continued was underway at presstime.

The cataloger closed one of its showrooms, a unit in Troy, N.Y., two months ago as part of its effort to return to profitability. That closing, in addition to the shuttering of the Utica store, leaves Boardman with 11 showrooms. During the past year, 56 employees have been laid off.

The company is reported to have over $1 million at its disposal—sufficient capital to take Boardman through the spring and summer seasons, said Pastore.

QUIZ

The DSN Quiz, testing your knowledge of news and trends in discount retailing covered in the last two issues, will appear on this page monthly. Check your answers with the key on page 94.

1. In which of the following regions is Target seeking to expand:
a) Southern Florida;
b) Northern California;
c) Western Pennsylvania.

2. The leading girls' wear fashion items according to discount apparel buyers are:
a) harem pants;
b) fleecewear;
c) striped cotton dresses.

3. Emerging as the most promising category in ethnic H&BA is:
a) hair straighteners;
b) hair colorings;
c) moisturizing creams.

4. Electronic retailer Comp-U-Card intends to add which expansion program to its merchandising and information services:
a) insurance;
b) real estate;
c) stocks.

5. Which chain received coverage from newspapers like USA Today for its pre-Christmas marathon that kept all of its stores open around the clock from Dec. 1 through Christmas:
a) Zayre;
b) Wal-Mart;
c) ShopKo.

6. This man has resigned as chairman and chief executive officer of the company that he founded 30 years ago, Consumers Distributing (Canada):
a) Jack Stupp;
b) Michael Haberman;
c) Everett Purdy.

7. In which two United States markets is K mart planning to open general merchandise test stores:
a) Baltimore and Troy, Mich.;
b) Rochester/Syracuse, N.Y., and Detroit;
c) Dallas/Ft. Worth and Pittsburgh.

8. The strongest sellers in consumer electronics for 1986 are projected to be:
a) car audio equipment and prerecorded tapes;
b) compact disc players and blank video tapes;
c) color televisions and VCRs.

9. What consumer electronics retailer has recently closed 15 stores in New York City?
a) Crazy Eddie;
b) Lafayette/Circuit City;
c) Pacific Stereo.

10. What company has purchased 20 stores from a supermarket chain in North and South Carolina with intentions to convert the units into closeout stores?
a) Price Club;
b) Marshalls;
c) Consolidated Stores.

Large-Size Volume to Continue

Large-size women's apparel sales are expected to continue increasing for at least another three to five years, merchandisers say. Offering more fashion-oriented styling and colorations is part of the equation for tapping more of that business at chains. Ads like this one from Roses, featuring large-size models, are important too. See story page 11.

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SOFT LINES

Large-Size Customer Wants Quality and Fashion

ENCINO, Calif. — A recent poll of women who wear large size apparel clearly supports most retailers' current thinking that this customer values well-made, fashionable clothing.

The large-size customer, the study said, weighs styling and quality over price in most cases and most often prefers a separate department for full-figure clothing. She wants to see the large-size clothing displayed on full-figure models.

What's more, the survey of women who subscribe to *Big Beautiful Woman* magazine, published here, reveals that, even within a fairly affluent sample group, mass merchandisers such as K mart and Sears are competitive, with 44% shopping those chains within the past month. Off-pricers who specialize in large size women's apparel had been shopped by an impressive 36% of those polled.

The questionnaire for the poll of large size women conducted last fall by *BBW* was developed with input from K mart. Although the respondents were predominantly affluent and professional, K mart merchandisers say they found the results helpful in tracking that shopper.

Of the 329 women who returned completed forms, 34% had a family income of under $25,000 and 46% were in the $25,000 to $50,000 range. About 75% of the women were aged 25 to 44 years, 80% work and 40% classified their jobs as managerial/ professional.

The majority—57%—had shopped for nonfood products at least five or six times in the month before the survey. On the average, those polled visited a K mart twice a month, an off-price large size specialty store 2.2 times, a regular off-price store 1.8 times, a department store 2.7 times and J.C. Penney 1.8 times.

Interestingly, an overwhelming 78% had ordered apparel through a catalog during the past six months.

Although price ranked as the third factor in the buying decision for everything except jeans and tops, the women expect moderate price points.

Respondents were asked to specify a reasonable (lower limit) price for apparel items.

- For shorts, close to 40% said $10 to $15 would be the most reasonable price and another 19% said under $10.
- For blouses, 25% found $20 to $25 reasonable and another 22%, $15 to $20.
- In pants, respondents favored two price points, with 29% picking the $15 to $20 range and another 29% choosing the $20 to $25 range.
- In sweaters, the answers were more varied. Almost equal percentages (16% to 20%) of the women called prices ranging from $15 to $35 reasonable for a sweater.
- In skirts, 25% cited $20 to $25 as a reasonable price point with almost as many (22%) picking the $15 to $20 range.
- In the dress area, 19% said $30 to $35 is reasonable. Another 20% expect $20 to $30 price points.

The poll revealed that about 60% of the large-size women prefer a separate large-size department. Another 30% wanted the larger sizes included in regular sections.

Full-Figure (44%), Plus Sizes (36%) and Women's Sizes (32%) were favored as department names. Only 15% said they would prefer Large-Sizes and only 7% gave Half-Sizes as a possible label.

When asked what stores should do differently with this clothing, 25% said they wanted stores to provide knowledgeable sales help; 21% said stores should hire full-figure clerks; 20% said retailers improve selection; 15% said they looked for improved styling and 14% said retailers should carry a wider range of sizes.

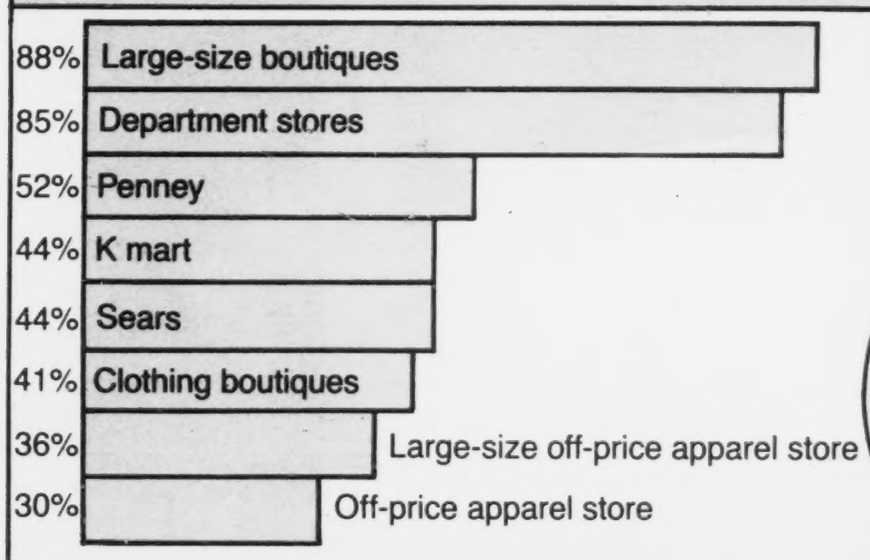
Large-Size Women Pick Two Most Important Factors (Besides Fit) in Buying Decision

Item	Styling	Quality	Price	Selection	Brands	Other*
Dresses	87%	57%	35%	15%	1%	5%
Blouses	83	53	31	27	1	4
Skirts	77	44	32	28	1	18
Sweaters	74	57	33	27	1	7
Tops	73	34	49	36	1	7
Suits	71	64	32	12	2	18
Coats	66	67	43	17	0	6
Slacks	65	51	38	29	3	13
Activewear	63	44	42	32	2	15
Lingerie	59	56	31	42	7	5
Jeans	51	36	48	25	13	25

*Includes Don't wear/Don't Buy, No responses and other responses.

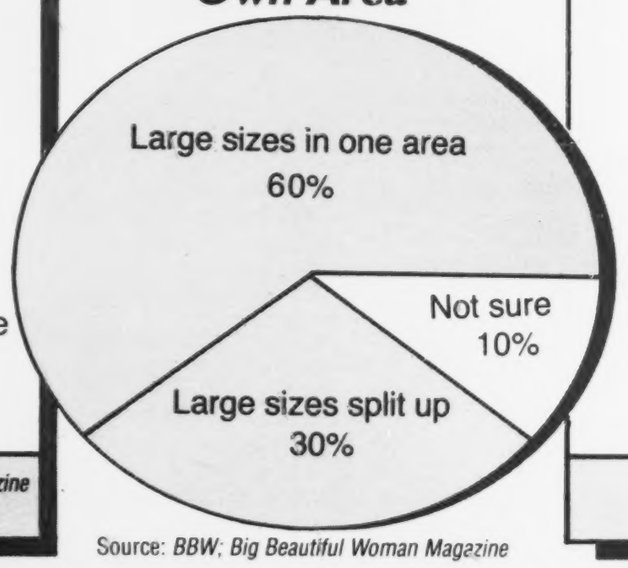
Source: *BBW; Big Beautiful Woman Magazine*

Past Month Shopping by Retail Outlet



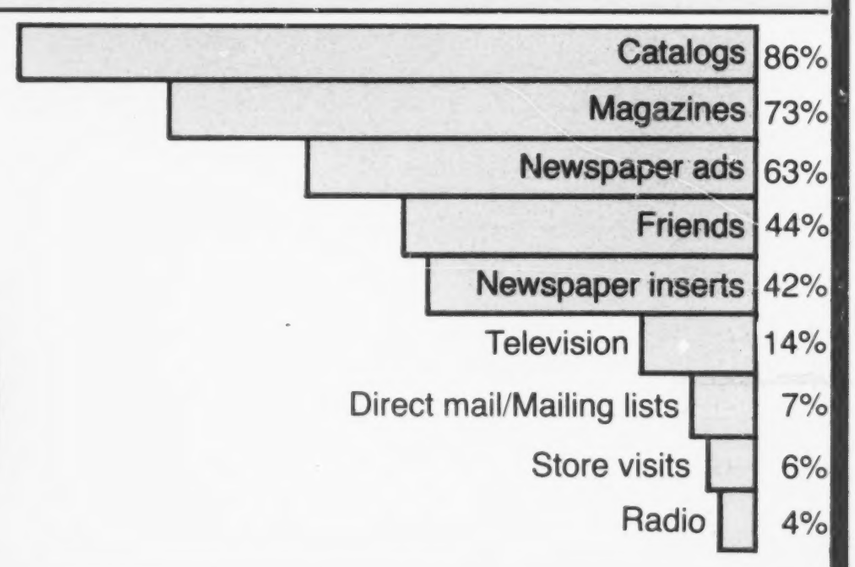
Source: *BBW; Big Beautiful Woman Magazine*

Most Women Polled Prefer Their Own Area



Source: *BBW; Big Beautiful Woman Magazine*

Sources Women Use to Keep Informed of Large Sizes



Source: *BBW; Big Beautiful Woman Magazine*

Chain Competition Heats Up for Share of Large-Size Market

(Continued from page 11)

that said 'also available in large sizes,'" she explained.

At Fisher's Big Wheel, buyer Kevin Kuin took on the task of developing large sizes last May. He reports that since last spring, the chains large-size sales have been about 30% ahead.

"Since I came out of junior and misses, I didn't have a set idea of large-size styles. I bought many of the same items translated into larger sizes," he said. Adding fashion to many standard items in the department has added about $2 to the price of those items.

Current strong sellers at Fisher's include a duster-length, all-cotton sheeting jacket that retails for $21.97.

"I see that attitudes have changed," said Christine Bittner, who buys large-size sportswear at Gemco. "Even at Lane Bryant, there used to be all dark colors. Now chains are using fashion colors and natural fibers. Large size no longer has to take a back seat."

Bittner last year took on the task of building a fashion-oriented large-size business. Her chain, however, had been out of the business for five years. In the fall, the chain introduced departments averaging 600 sq. ft.

This year, polo shirts are the "mainstay" of the section, tank tops, mock sets, poly/cotton interlock pants and jackets in sheeting or fleece are selling well. For fall, the fashion statement in large sizes will be heavily fleece with London (30-in. long) sweaters in brights and jacquards as a new item.

Discount merchandisers agree that increased fashion is the way to build large-apparel sales,but they differ on how they assign the actual buying. K mart is unique in having a separate division. Bittner buys all large-size sportswear for Gemco. Fisher's Kuin is responsible for juniors and misses' tops, swimwear and large-size sportswear. At Nichols, vp, gmm softlines Edward Dennenberg thinks that tagging the large-sizes onto a buyer's classification is the best way to go.

"Who's better at picking styles than a specialist in blouses or pants," he said. At his chain, the buyers meet for special large-size clinics to coordinate their approaches. he added. The chain carries sportswear, coats and dresses in a large-size department. Larger-size lingerie, bras and panties are stocked with regular sizes.

Nichols chalked up double-digit gains in large sizes last year. "Last year was not a great one, but large sizes still grew 10% to 15%," he added.

Wal-Mart is courting the full-figure woman by featuring large-size models in ads. This spring it devoted a half-page of its circular to plus size apparel.

PRODUCT MOVEMENT AUDIT: HOUSEWARES

COOKWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Ekco 64110 Baker's Cookie Sheet	7,672	4.40	33,756.80
2	Ekco 64330 Bakers DB Cake Pan	6,626	3.95	26,172.70
3	Ekco 64100 Bakers Cookie Sheet	6,251	3.95	24,691.45
4	Wear-Ever 26032 Chef Fry Pan 12"	2,072	11.69	24,221.68
5	Wear-Ever 26030 Saute Silverstone 10"	2,425	8.99	21,800.75
6	Ekco 64260 Bakers Roast/Bake	3,782	5.39	20,384.98
7	Ekco 64200 Bakers 12 cup Muffin	4,216	4.76	20,068.16
8	Wear-Ever 26028 Saute Pan 8" Silverstone	2,780	6.29	17,486.20
9	Normandy 312G Saucepot 12 qt. Bone	1,064	15.11	16,077.04
10	Ekco 64080 Bakers Cookie Sheet	4,414	3.23	14,257.22
11	Wear-Ever 46032 Chef Fry 12" Silverstone	931	14.84	13,816.04
12	Wear-Ever 26014 Sq Grddl 10" Slvrstone	1,252	10.79	13,509.08
13	Nordic 64634 Nordic Sizzl Skillet	294	40.49	11,904.06
14	Wear-Ever 46030 Chef Fry 10" Silverstone	929	12.59	11,696.11
15	Wear-Ever 46014 Sq Griddle Silverstone	906	12.59	11,406.54
16	Foley 38279 Saute Pan 12"	1,260	8.99	11,327.40
17	Ekco 54110 Cookie Sheet	4,018	2.69	10,808.42
18	Foley 38079 Saute Pan 10"	1,448	7.19	10,411.12
19	Enterprise Alum 701209 Dble Grddl	472	21.86	10,317.92
20	Wear-Ever 46028 Chf Fry 8" Slvrstone	1,136	8.99	10,212.64

PLASTICS

1	Tucker 3216 Storage Bin 3-pc choc	346	22.85	7,906.10
2	Tucker 3216 Storage Bin 3-pc alm	333	22.85	7,609.05
3	Eagle E2757 Juice Decanter Clr 2 qt	3,258	2.06	6,711.48
4	Tucker T334 Trash Can 22 gal	566	8.99	5,088.34
5	Cleary 720 Spacemaker Bin Asst	4,642	1.07	4,966.94
6	Schulte 1248W Shelf 12x48	344	14.39	4,950.16
7	Schulte 1236W Shelf 12x36	384	11.69	4,488.96
8	Tucker 832 Trash barrel 32-gal rnd	276	16.19	4,466.44
9	Aristo-Mat CS53D Decor Cutting Board	654	6.29	4,113.66
10	Vanderbilt 751 Nylon Baster	3,253	1.25	4,066.25
11	Tucker 830 Trask Barrel rect 30 gal	246	16.19	3,982.74
12	Eagle E2755 Juice Decanter clr 1 qt	2,771	1.43	3,962.53
13	Beacon L85 Paper Towel Holder	1,818	2.06	3,745.08
14	Schulte 312 3-Shelf Rack 12-22	394	9.44	3,719.36
15	Eagle E7436 Freezer Box 3 pk 36 oz	1,026	3.50	3,591.00
16	Foley 25368 Nylon Spatula Ast	3,959	0.89	3,523.51
17	Sterlite 865 Butter Dish alm/choc	2,912	1.16	3,377.92
18	Cleary 721 Mini Spacemaker bin	4,636	0.71	3,291.56
19	Jareen 60120 Polar Pak Asst. 5 gal	1,214	2.69	3,265.66
20	Jareen 60130 Polar Pak Asst 3.5 qt	907	3.59	3,256.13

RUBBERMAID

1	6032 Drainer alm	3,091	6.74	20,833.34
2	2965 Laundry Bskt alm	3,392	5.93	20,114.56
3	2965 Laundry Bskt choc	3,187	5.93	18,898.91
4	0450 Bath mat white	4,091	3.86	15,791.26
5	0450 Bath mat lt blue	3,874	3.86	14,953.64
6	2965 Laundry Bskt slate bl	2,447	5.93	14,510.71
7	2951 Dishpan alm	4,117	3.32	13,668.44
8	6008 Drainer alm	2,220	5.84	12,964.80
9	6032 Dish Drainer slate bl	1,897	6.74	12,785.78
10	6032 Dish Drainer choc	1,762	6.74	11,875.88
11	2951 Dish Pan choc	3,531	3.32	11,722.92
12	6008 Dish Drainer blue	1,994	5.84	11,644.96
13	2858 Step-on Wbasket choc	876	13.13	11,501.88
14	2894 Ruffneck 32-gal cont	475	23.84	11,324.00
15	2858 Step-on Wbasket alm	861	13.13	11,304.93
16	3880 Serv/Sav lcp Cylndral	10,974	0.98	10,754.52
17	2965 Laundry Basket tr cot	1,815	5.93	10,762.95
18	8334 Spatula set	6,531	1.61	10,514.91
19	1181 Drain Tray alm	2,263	4.49	10,160.87
20	2864 Fliptop Basket choc	1,179	8.54	10,068.66

TABLETOP

1	Corelle 5016-73 Nat Img 16-pc calic	594	42.29	25,120.26
2	Corelle 220-453 Normandy 20 pc	528	42.20	22,281.60
3	Corelle 220-451 Peach Garland 20 pc	456	42.20	19,243.20
4	Corelle 5016-74 Nat Img 16 pc	430	42.29	18,184.70
5	Corelle 116-95 Colonial set 16 pc	551	32.84	18,094.84
6	Corelle 5016-76 Nat Img 16-pc lace	394	42.29	16,662.26
7	Corelle 116-25 Solitary set 16 pc	487	32.84	15,993.08
8	Corelle 116-24 Burgundy set 16 pc	471	32.84	15,467.64
9	Corelle 320-81 Royal Garden 20 pc	258	57.05	14,718.90
10	Corelle 116-4 Butter Gold set 16 pc	432	32.84	14,186.88
11	Corelle 116-23 Morning Bl set 16 pc	415	32.84	13,628.60
12	Corelle 320-92 Spring Pond 20 pc	234	57.05	13,349.70
13	Corelle 320-82 China Blossom 20 pc	232	57.05	13,235.60
14	Corelle 220-452 Rose Trellis 20 pc	194	42.20	8,186.80
15	Corelle 418N Corelle Bowl wh	501	12.59	6,307.59
16	Corelle 116-38 Melody set 16 pc	186	32.84	6,108.24
17	Corelle 166-5 Old Town set	174	32.84	5,714.16
18	Corelle 106 Corelle Sm Plate wh	483	11.15	5,385.45
19	Corelle 108 Corelle M Plate wh	405	11.69	4,734.45
20	Corelle 108-23 Corelle M Plate wh	379	11.69	4,430.51

GLASSWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Libbey 82486D Bolero Blue 24 pc	1,942	19.79	38,432.18
2	Libbey 82486T Bolero Tawny 24 pc	1,130	19.79	22,362.70
3	Libbey 82437D Count Squire 24 pc	452	35.45	16,023.40
4	Anchor PM486/TI Divided Dish w/cover	1,337	7.91	10,575.67
5	Anchor 1300/44 Moments 24 pc	374	26.99	10,094.26
6	Anchor 3600/672A Entertainer set 40 pc	252	33.29	8,389.08
7	Libbey 82430K Go Cntry Gdn 24 pc	320	26.09	8,348.80
8	Libbey 81848 Symmetry 18 pc	398	20.24	8,055.52
9	Anchor 4523 Wexford Butter/cov	3,558	2.24	7,969.92
10	Libbey 81837K Capri set Gold 18 pc	468	15.29	7,155.72
11	Libbey 82443 Impromptu Cry 24 pc	283	20.69	5,855.27
12	Libbey 214T Monarch bev 4 pk	1,044	4.94	5,157.36
13	Libbey 0476 Tulip Grande 9 oz	1,381	3.59	4,957.79
14	Anchor PM 498/TI Fluted Cake w/con	588	7.91	4,651.08
15	Libbey 219 T Monarch Cool 4 pk	834	5.57	4,645.38
16	Anchor 4553E Wexford Sugar Cover	2,232	2.06	4,597.92
17	Anchor 2100/103 Tempo Set 18 pc	476	9.44	4,493.44
18	Libbey 379T Tawny Cooler 4 pk	996	4.49	4,472.04
19	Libbey 85M Apoth Jar	1,428	2.96	4,226.88
20	Libbey 8795 NAPA Flute 6 oz	528	7.73	4,081.44

MICROWAVE

1	Nordic 62304 Micro-go-Round	1,923	44.99	86,515.77
2	Rubbermaid 8527 Micro set 7 pc	1,200	28.79	34,548.00
3	Anchor PM400/126 MWave Corn Popper	1,426	14.39	20,520.14
4	Anchor PM469/TI MWave Bacon Rack	2,489	7.91	19,687.99
5	Corning MW 116 Microwave 5-pc set	632	29.96	18,934.72
6	Corning MWA10 Cov Browning Skillet	704	25.19	17,733.76
7	Corning MW2 Microwave Grill	702	24.74	17,367.48
8	Anchor PM481/TI MWave Versatility	2,060	7.91	16,294.60
9	Rubbermaid 5505 Micro Divided Platete	2,214	6.11	13,527.54
10	Anchor PM400/155 MWave 5-pc Petite	438	28.79	12,610.02
11	Rubbermaid 9524 Micro Sm Entree Plate	1,694	6.11	10,350.34
12	Anchor PM499/TI MW All Purpose Rack	1,246	7.91	9,855.86
13	Rubbermaid 5519 Micro Bacon Rack Sh	1,580	6.11	9,653.86
14	Rubbermaid 9528 Micro Cond Bowls 2 pc	1,480	6.11	9,042.80
15	Anchor PM 447/TI MWave Muffin Tin	1,137	7.91	8,993.67
16	Anchor PM 444/TI MWave Cookie Sheet	1,005	7.91	7,949.55
17	Corning MW98 Cvd Browning Skillet	360	19.34	6,962.40
18	Corning MW-11 Micro Browning Grill	350	16.19	5,666.50
19	Anchor PM 410/TI MWave Roast Rack	664	7.19	4,774.16
20	Anchor PM 480/TI MWave 4-qt Sim Cook	226	14.39	3,252.14

PYREX

1	233 Utility Dish	3,031	7.19	21,792.89
2	234/4 Org Obl Bake Dish	2,156	8.99	19,382.44
3	516 Org Measure cup	5,260	3.57	18,778.20
4	210/6 Org 10" Pie Plate	4,332	3.41	14,772.12
5	463D Custard cup	3,173	3.95	12,533.35
6	1216-M 4-pc Starter set	681	17.45	11,883.45
7	508 Org Measure cup	4,391	2.69	11,811.79
8	233M 3-qt Rect Baking Dish	1,578	7.46	11,771.88
9	440-95 4-pc Bowl set colon	537	19.79	10,627.23
10	232 Utility Dish	1,613	6.29	10,145.77
11	6230F Cov Cass & Bskt Fsid	956	10.52	10,057.12
12	684M 2-qt Bake Dish & Bskt	1,405	6.83	9,596.15
13	2320F 2-qt Bake Dish & Bskt	822	11.60	9,535.20
14	222 Org Cake Dish Square	1,892	5.03	9,516.76
15	464D Deep Pie Dish	1,750	5.39	9,432.50
16	300-95 3-pc Bowl set colonl	608	14.39	8,749.12
17	213 Loaf Dish	2,317	3.77	8,735.09
18	532 Org Measure Cup	1,819	4.67	8,494.73
19	687M 3-qt Cov Casserole	905	9.35	8,461.75
20	1215 Bakers Choice set	716	11.60	8,305.60

CORNING

1	V20 Visions Cov Dbl Boiler	719	26.99	19,405.81
2	V5 Visions 5-qt Cov Saucepan	682	26.54	18,100.28
3	V1 Visions 1-qt Cov Saucepan	1,060	15.74	16,684.40
4	V31/25T 3.5-qt Cov Steam	619	25.19	15,592.61
5	V300 Visions 6-pc Span set	296	49.49	14,649.04
6	V2 Visions 2½-qt spa	570	21.59	12,306.30
7	V360 Visions 6-pc set	210	55.34	11,621.40
8	F260 French White 3-pc set	314	30.14	9,463.96
9	V10H VNS Skillet 10"/hang	504	17.09	8,613.36
10	V6H VNS Skillet 7"/hang	861	9.89	8,515.29
11	F330 4-pc F white set	169	49.49	8,363.81
12	F2 Fr White 2.5-qt Ov Cov Cass	398	20.96	8,342.08
13	A33-P Trio Set cornflower	292	26.99	7,881.08
14	F1 Fre White 2.5-qt Cov Cass	354	20.96	7,419.84
15	P100 Minuette set 3 pc	256	25.91	6,632.96
16	F21 Fr Wh 4.5-qt Open Roast	220	27.26	5,997.20
17	C15 Sm Counter Saver wh	355	15.11	5,364.05
18	P104-8 Spice T Pot	281	18.89	5,308.09
19	MC4 2.5-qt Oval Dish	349	14.39	5,022.11
20	V7 Visions 1.5-pt S Pan	405	12.32	4,989.60

(Continued on page 70)

Discounters To Add Basic Housewares

By Harold Rubin
President
HalMar Distributors

Discounters' strongest strategy for the back half of the year will be to increase turns in basic assortments, in anticipation of 5% to 7% sales gains.

They will continue to take a very promotional posture in some categories, like small plastics and microwave cookware, to build traffic for the back half. To balance that and make the bottom line dollars, though, they'll be focusing on increasing turns by replenishing basic stock by rate of sale.

Last fall, retailers invested so many dollars in promotional goods, they didn't pay as much attention as they should have to the basic business. This spring, too, there's been quite a few opportunities around for special purchasing.

Heavy Competition

Competition between manufacturers has stepped up sharply as many of these companies, especially in the cookware and glassware industry, have merged with each other. This gives each retailer the opportunity to negotiate its own situation.

Still, buyers will insist on being in stock in basics on a continuous basis. They'll be looking for short-term vendors and short-lead-time vendors that will make sure of this.

I also think with the price of oil dropping, consumers will have much more disposable income, and this is giving retailers an optimistic outlook.

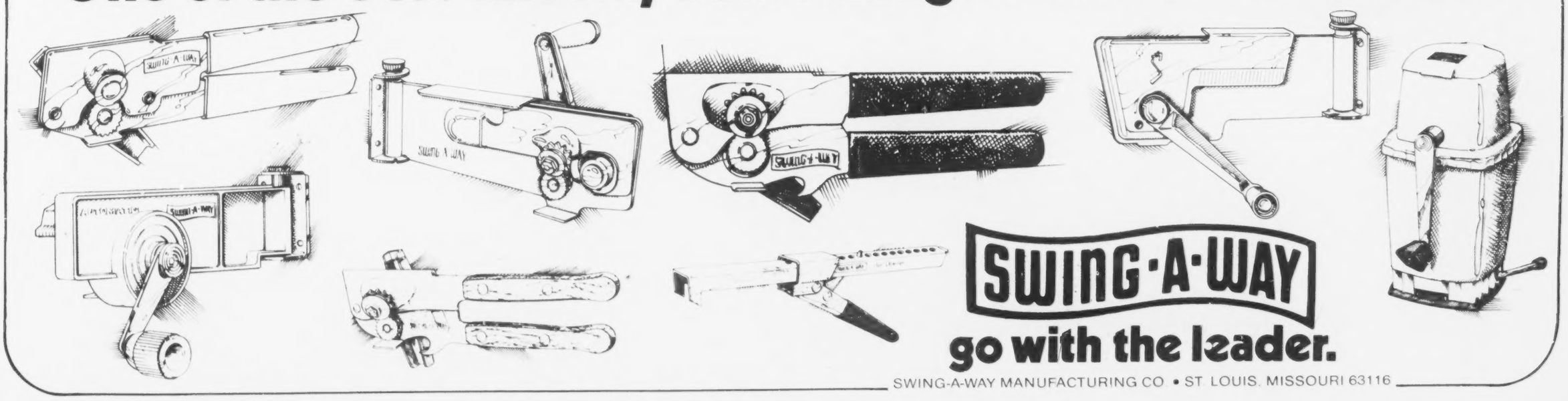
For the second half of this year, retailers can expect to see a lot of new product introductions, especially in cookware.

Several vendors have introduced colored cookware, and I think we'll see more of that at the housewares show.

Nonstick cookware is also finding a niche in the market-

(Continued on page 70)

One of the best-known, best-selling brands in housewares.



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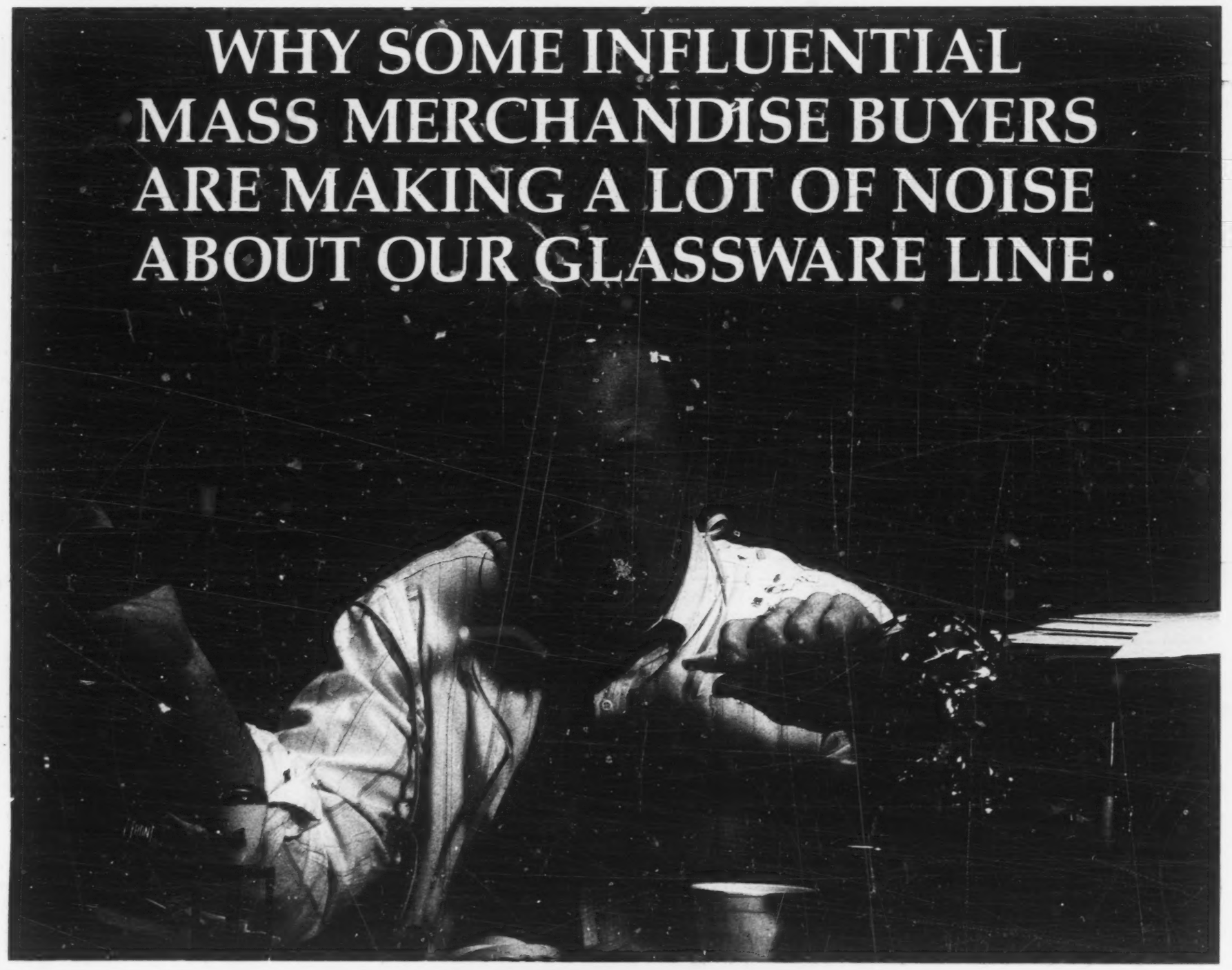
PRODUCT MOVEMENT AUDIT: HOUSEWARES

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	BATH			
1	Selfix 2353 Lg Shower Caddy wh	2,315	5.12	11,852.80
2	Selfix N443 Portable Shower Spray	1,026	10.79	11,070.54
3	Magnolia M100 Molded Toilet Seat wh	1,017	9.44	9,600.48
4	Magnolia M3000A Padded Seat wh	466	17.54	8,173.64
5	Selfix C441 Selfix Shampoo Spray	2,988	2.33	6,962.04
6	Selfix 2351 Shower Caddy wh	2,077	3.14	6,521.78
7	Magnolia M3000A Padded Seat Parch	369	17.54	6,472.26
8	Magnolia M3000A Padded Seat b1	368	17.54	6,454.72
9	Selfix 2110 Selfix Twin Hook	4,186	1.52	6,362.72
10	Magnolia M3000A Padded Seat br	316	17.54	5,542.64
11	Magnolia M200 HiRise Toilet Seat	310	14.39	4,460.90
12	Selfix 2298 Selfix Tissue Holder	1,987	2.24	4,450.88
13	Ekco 38890 Toilet Tissue Holder	1,702	2.51	4,272.02
14	Ekco 38110 18" Towel Bar	1,584	2.69	4,260.96
15	Selfix 2274 Towel Bar 24"	1,710	2.33	3,984.30
16	Ekco 38160 24 Twin Towel Bar	793	4.76	3,774.68
17	Ekco 38170 24 Towel Bar	1,233	3.05	3,760.65
18	Ekco 38120 12" Towel Bar	1,418	2.42	3,431.56
19	Magnolia M110 Sq Back Toilet Seat bl	256	12.59	3,223.04
20	Magnolia M110 Sq Back Toilet Seat par	255	12.59	3,210.45

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	GADGETS			
1	Swing A Way 107 Swing Way Jr. Open	6,409	2.69	17,240.21
2	Swing A Way 407 R Swing Away Opener	3,302	5.21	17,203.42
3	Rhodes 29031-UC Timer wh	1,319	7.64	13,897.16
4	Range Kleen 102 Range Reflector 8"	4,451	3.05	13,575.55
5	Range Kleen 101 Range Reflector 6"	4,865	2.60	12,649.00
6	Rhodes 29035-UC Timer alm	1,596	7.64	12,193.44
7	Intermatic D811B Cordless Timer	833	12.59	10,487.47
8	Ekco 00050 Stainless Peeler	6,346	1.61	10,217.06
9	Intermatic D711B Supercop Plug-in Time	781	10.79	8,426.99
10	Range Kleen 106A Reflec Pan-GE Hot Pt-8	4,051	1.97	7,980.47
11	Range Kleen 105A Reflec Pan-GE Hot Pt-8	5,536	1.43	7,916.48
12	Lux 0001-16/2428 Lux Timer	682	10.79	7,358.78
13	Ekco 08840 $ Way Can Opener	4,173	1.61	6,718.53
14	Range Kleen 104A Range Reflector 8"	3,319	1.97	6,538.43
15	Range Kleen 103A Range Reflector 6"	4,547	1.43	6,502.21
16	Intermatic D111B Plug-in-Timer	694	8.99	6,239.06
17	Helmac 39 RC Lint Refill	2,966	2.06	6,109.96
18	Forster 1336/2580 Rolling Pin	1,386	4.22	5,848.92
19	Foley 101 Foley Food Mill	464	11.69	5,424.16
20	Chaney 760 Meat Thermometer	2,627	2.06	5,411.62

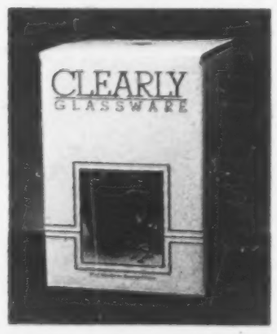
Source: HalMar Distributors, Holyoke, Mass., for the Jan. 1, to Feb. 26, 1986 period, covering more than 500 stores, including 400 discount department stores from New England to the Carolinas. Average retail prices reflect typical price points for discount chains.

WHY SOME INFLUENTIAL MASS MERCHANDISE BUYERS ARE MAKING A LOT OF NOISE ABOUT OUR GLASSWARE LINE.



Mass merchandise retailers know that the glassware market is up for grabs. But they also know the product category is evolving—and as it changes, trend-setting merchandisers are seeking resources well-suited to their unique needs. *Enter "Clearly" from Crisa—the line tailor-made for mass merchandisers.* After many years of success in department and specialty stores, we have created an innovative, comprehensive glassware program designed for one purpose—to maximize your profits. With nearly 100 SKU's, "Clearly" offers a breadth of line

unmatched by any other manufacturer—from handblown serveware to machine-made decorated tumblers, from opal borosilicate mugs and bowls to tempered dinnerware sets, Crisa covers the entire glassware spectrum with high-quality products offering classic design and value your customers will appreciate. ***The overall program is as solid as the product line.*** Strong consolidated packaging, sales support, a competitive discount structure, strong promotional pricing—"Clearly" delivers everything you need for consistent profitability. And our entire program is backed up by the capabilities of Crisa, one of the world's largest glassware manufacturers. ***Let us prove it.*** Act ***now*** to find out for yourself what all the noise is about.



Ask your Crisa rep about our promotional items & pricing!

CRISA CLEARLY GLASSWARE

CRISA CORPORATION
Profitable ideas in glassware
101 East Park Boulevard, Plano, TX 75074
In Dallas 800-643-9093, in NY 800-253-1011,
in LA 800-533-7621

Housewares

(Continued from page 68)

place very successfully. Silverstone will continue to hold a strong share of the market, but retailers are getting into the lower-priced alternatives for promotional purposes.

Manufacturers are coming out with these offerings in shrink-wrapped combinations like an 8-in. and 10-in. frying pan or an 8-in. fryer with a griddle pan.

Some retailers are also beginning to insert the lower priced nonstick cookware into their basic assortments.

We'll also see more activity in stainless steel cookware. When interest rates go down, as they have now, people seem to buy better-quality goods for the long term rather than inexpensive sets.

This means that retailers will probably promote the stainless steel sets more often, as well.

New Introductions

In Pyrex cookware, we will be seeing some new Corelle patterns as well as some roaster introductions. Some of the cookware, such as casserole dishes, is now being packaged in wood frames in addition to the baskets, which should give additional sales to discounters.

Also, a new rebate trend is emerging in cookware. Some manufacturers, including Corning, are putting rebate coupons applicable to another item inside packages. These programs are mostly available in cookware sets.

Another strong category for the last half of the year will be bath, such as accessories and towel bars. In the past, manufacturers were making the items more fashionable and offering them at higher price points. Now, they're dressing up the items a little bit and maintaining good price points.

For promotions, discounters will certainly be concentrating on microwave cookware, especially the small plastics that go directly from the freezer to the microwave. Disposable microwave cookware that can be used 20 to 30 times is going to be big, too, because it's inexpensive and utilitarian.

This business is really being driven by strong sales of compact microwave ovens.

Promotional Activity

I also think there'll be a lot of promotional activity in glassware combinations and in sales of glasses by the case. Bulk glassware is easy to handle and gives a pretty good sale. There are some good pricings now on 12-beverage glass sets.

Overall, the first few months of this year have been very satisfying for discounters. Business has been up, and inventories are much better—much more in line than they were the same time last year.

The new direction is going to be replenishing what you're selling, and retailers will carry that strategy right through the end of the year.

C5150-3

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Best Tackles Seattle, Minneapolis Markets in Consolidation Effort

RICHMOND — Best Products has started work in two markets, Seattle and Minneapolis, on its 1986 program to refurbish former Modern Merchandising showrooms and change their logo to Best.

The first group of refurbishings encompasses 15 units, nine Jafcos in Seattle and six LaBelle's in Minneapolis.

Best will close the LaBelle's in the Columbia Heights suburb of Minneapolis early next month, a move that will cut the total number of showrooms the company operates to 212. That LaBelle's had one of the lowest sales of any company showroom and will be only the second store Best has closed in the past four years.

This year's updating and renaming effort is part of a $100 million, two-and-a-half-year program to renovate 107 showrooms, or about half the chain, that was launched last summer. Most of the units are in the six chains that comprised the former Modern Merchandising company which Best acquired four years ago. (The four Rogers in Michigan and two Miller Sales in Ohio were given the Best name last year.)

When the endeavor is completed next year, it is expected to extend to the last 28 of the 74 former Modern Merchandising showrooms and include renaming those stores. The company then be able to promote a common Best logo in 28 states.

Best launched the refurbishing program last year by fully or partly renovating 20 older Best showrooms and two LaBelle's.

The revamping and renaming of this year's initial 15 showrooms is due to be completed in early June. The Jafcos in Lynwood, Tacoma and Federal Way, Wash., will be completely renovated to follow Best's new showroom prototype (see *DSN*, June 10, 1985, p. 8A), while the six other stores in the Greater Seattle market will get partial remodelings that will center on the key jewelry department.

In the Minneapolis market, the units in Roseville, Brooklyn Center and Nicollet will be

(Continued on page 57)

Conran's New Haven, Conn., unit exemplifies the Home Store concept that integrates merchandising the core categories of ready-to-assemble furniture with housewares and domestics.

Discounters Eye New Competition

Home Stores Shape Furnishings Trends

Nationwide DSN Report

The success of home stores, the retail concept exemplified by the likes of Conran's, IKEA and Fortunoff's, continues to attract the ardent interest of discounters and catalogers carefully watching the way these retailers have captured the mass market consumer with a taste for modern and European styles in home goods.

The major players in the game have capitalized on a crucial change in the key home market category of ready-to-assemble furniture: The successful introduction of better-quality, more fashionable goods which can still be quickly assembled and sold as moderate price alternatives to case goods.

These players have shaped their concept around this better quality RTA furniture merchandised in a room presentation with housewares, home textiles and, depending on the store, traffic appliances, consumer electronics, toys or hardware. In doing so the home store retailers have proven it is not only possible but profitable to combine volume with fashion to an extent that previously was unprecedented.

Much of the success of both Conran's and IKEA is attributed to the fact that they create their own specifications for the goods they buy. That has enabled them to obtain quality RTA at price points that are attractive to the mass market.

Discounters and catalogers have clearly eyed the success of these mass market interlopers and are reshaping their own mixes and assortments to meet the desire for more fashion in the mass market home goods business. Buying staffs have been reshaped at many chains like Caldor to reflect a new emphasis on home products, which no longer stand as a poor stepchild to either hard

(Continued on page 58)

Bradlees Plans to Debut PL Credit Card in Philly

BRAINTREE, Mass. — Bradlees is launching a private label credit card program which the chain plans to debut in the intensely competitive Philadelphia market.

The move appears to have been sparked by the chain's effort to maintain a customer sevice feature which had been offered in the 16 former Jefferson Ward stores Bradlees is now operating in Philadelphia.

"The Bradlees card will replace the Jefferson Ward credit cards in our Philadelphia stores," C. Robert Peacock, senior vice presdient, finance, stated in a release.

Bradlees will introduce the card May 1 in the Philadelphia market, where the chain faces off against Clover, K mart and Caldor. The sevice will be available in the Richmond, Va. and northern New Jersey stores before the end of the year, and chainwide by the end of next year.

While most chains accept third-party credit cards, Clover and Caldor are among discount chains that accept private-label cards. Clover accepts the long-established credit card of its parent department store, Strawbridge & Clothier. Caldor has had its own card for 13 years.

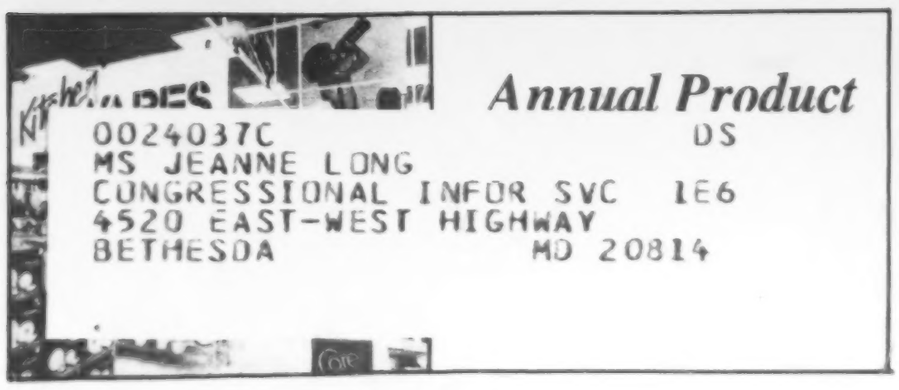
Although top officials at Bradlees declined to comment further on the new credit card, a recent survey published by the credit card operators the chain has tapped, Citicorp Retail Services, found that customer loyalty is a major reason retailers develop proprietary credit cards.

The survey, which focused on department stores, also found that proprietary credit card customers accounted for 56% of total sales up from 45% 10 years ago.

Proprietary credit cards also provide the retailer with an important strategic tool. In addition to direct mail capabilities, the card file can provide a retailer with important geographic information on its customers, the study found.

"One executive stated he could fill the store at will with customers receiving promotional material sent with billing statements," the study reported.

Bradlees ended fiscal 1985 with a 64% drop in earnings and going forward, Stop & Shop has made staging a turnaround at the chain top priority.



Zale Will Spin Off O.G.Wilson

IRVING, Tex. — A number of unidentified retailers are considering acquiring the O. G. Wilson showroom chain from Zale Corp., which plans to divest that operation as part of the company's restructuring into just a domestics and jewelry retailer.

Zale's "strategic redirection began about two years ago," Donald Zale, chairman and chief executive officer said, and was designed to "improve Zale's ongoing profitability and shareholder value." It will focus the company's operation on its Zale and Guild jewelry stores as well as its Diamond Park Fine Jewelers division which runs leased departments in both discount and

(Continued on page 57)

Purdy Heads Jewelcor Retail Unit

WILKES BARRE, Pa. — Less than a month after he resigned as president of Consumers Distributing (U.S.), Everett Purdy has joined Jewelcor Inc. as head of its Jewelcor Jewelers & Distributors retailing division.

As president of Jewelcor's retailing operations, which include a showroom chain and a catalog coordinator, Purdy is expected to spark what had been a lackluster operation whose sales have remained relatively flat at about $129 million over the past few years.

Prior to naming Purdy to the top spot, Jewelcor had operated without a single executive heading up its retail division. The company also did not have on staff an executive with Purdy's highly regarded merchandising reputation. That reputation was earned, in part, during Purdy's 12 year stint with cataloger Service Merchandise.

Known as an astute, hard driving merchandiser, Purdy is generally credited with engineering Service's strong marketing position from 1972 until 1984 when he left the company as senior vice president, merchandising to join CD (U.S.); he was hired away by that firm's Canadian parent to try to revive the flagging United States division.

(Continued on page 57)

Everett Purdy has joined Jewelcor Inc. as president of its Jewelcor Jewelers & Distributors retailing operation. He had been head of Consumers Distributing (U.S.).

Liability Expenses Threaten Retailers

WASHINGTON — After years of government apathy toward escalating insurance costs and claims, the crisis in personal and product liability that threatens retailers, manufacturers and many others has spurred action from lawmakers to curb liability damage excesses.

Adding fire to Federal and State proposals for tort system reform is President Reagan's package of recommendations, calling for a cap on noneconomic damages and sharp curtailment of lawyers' fees in liability cases.

Members of the Association of General Merchandise Chains are being polled on the President's package and other proposals now in Congress, according to AGMC President Edward T. Borda.

"There is concern in the industry about all kinds of liability, but there is not yet a concensus on what the solution is," Borda told *DSN*.

The Reagan recommendations would put a $100,000 cap on noneconomic awards and would grant punitive damages only for "willful conduct bordering on criminal violation." Attorney's fees—presently as high as 50% of settlement—would be limited by law on a sliding scale of 25% on the first $100,000 of the award to 10% for settlements over $300,000.

The White House proposal also calls for: a fault-based standard for liability; findings based on credible medical and scientific evidence; elimination of unpredictably "joint and several" liability; periodic payment of damages for future medical care or lost income; rather than lump sum awards, prevention of windfall double recoveries, and alternative dispute resolution mechanisms to resolve cases out of court.

In addition to the legislation expected from the Administration, other bills addressing liability concerns are already in the works on both sides of Capitol Hill. Amendments to current Federal product liability law introduced by Sen. Robert Kasten (R-Wis.) and Rep. Ron Wyden (D-Ore.), would allow businesses and some municipalities to form purchase groups to collectively buy insurance or create "risk retention groups" to collectively fund liability risks (except workmen's compensation). Wisconsin Rep. Toby Roth's Product Liability Uniform Standards bill would make negligence the sole test for all defects design and failure—to warn liability and get stricter standards for punitive damage awards.

State legislators are also seeking to plug the leaks in the liability system. During the first three months of 1986, liability reform bills were introduced in 13 states. Statutes of limitation on product liability claims were proposed in four states, in addition to legislation in six others that would increase protection for retailers and manufacturers.

Clover's Rittmayer Heads UPC Study Committee for NMRI

NEW YORK — A National Mass Retailing Institute (NMRI) committee will be formed to examine ways of tailoring the Universal Product Code (UPC) to fit discounters' special needs.

The group, a subcommittee of the NMRI's finance and management information services committee, will be headed by William Rittmayer, vice president for control and operations at Clover, a Philadelphia-based discounter.

The aim of the committee is to develop a standard for UPC coding that would "identify the merchandise at the level at which we reorder it," said Rittmayer. For example, he said, in the case of a T-shirt, "we need to know if it's a white V-neck T-shirt, size medium, because that's what we order. When we scan a day's business, our system must be told what the items are that we sold."

He added that many manufacturers are already supplying all the specific information discounters need in the bar codes.

Often, though, the type and amount of merchandise information is supplied at the discretion of the manufacturer, said NMRI president Richard Hersh.

This issue will continue to grow in importance as more and more mass merchandisers move into scanning merchandise at point-of-sale. K mart uses hand-held and fixed scanners at POS, has UPC coding on approximately 90% of hard lines items and is looking to code soft lines as well. Wal-Mart, which has coded about 90% of its merchandise, also uses hand-held and slot scanners at the front end, and UPC codes its own merchandise where the service is not supplied by the manufacturer.

Zayre is also moving ahead into scanning, while other chains like Target, Venture and Hills are still in the testing phase.

Rittmayer said Clover doesn't have scanning at POS but is moving in that direction. The chain is installing POS equipment in its stores and is now keying numbers at POS.

At the annual NMRI convention next month in Dallas, NMRI president Richard Hersh will make a presentation and request the board of directors to endorse the committee's efforts at creating a standard for UPC coding.

Reseek Bargaining Rights

Venture Workers Press Union Suit

WASHINGTON — A U.S. Supreme Court ruling has moved workers closer to reestablishing union representation at Venture's 10 Chicago area stores. The decision sets a precedent that could affect other independent unions seeking to merge with large, international unions.

In a suit similar to one filed by the Venture workers, the court overturned a regulation requiring that all workers—not just union members—receive the right to vote in a merger of two unions. A U.S. circuit court had upheld the regulation.

About 1,600 Venture workers in 10 Chicago stores lost their collective bargaining rights in 1981, after voting to merge their independent union with a large, international union.

Probationary employees who had not yet worked the 30 days required for union membership were not permitted to vote on the decision to merge the independent United Retail Workers Union with the United Food and Commercial Workers International Union, said Ron Powell, vice president of the union local.

The National Labor Relations Board ruled at the time that because all employees in the bargaining unit were not permitted to vote, both labor groups forfeited their rights to represent the workers. The

(Continued on page 58)

FTC Clarifies Layaway Guidelines

WASHINGTON — Discounters and other retailers who fail to disclose important terms of layaway purchase plans can be found in violation of two Federal laws, according to a Federal Trade Commission report released late last month.

Additionally, layaway practices could be affected by state laws which now exist in California, Idaho, Illinois, Massachusetts, Maryland, New York, Ohio, Rhode Island, the District of Columbia and New York City, FTC officials warned.

The report said that discounters who offer layaway plans designed for customers who want to buy merchandise without using credit or paying the full price immediately—should avoid using "vague" descriptions of the plan's payment terms.

"Inadequate" but "commonly" used "vague" phrases include "payments are due every 15 days." The FTC said this disclosure is unsatisfactory because it does not "tell your customers when their payments start, when the next payments are due, nor when the final payment must be made."

Other unacceptable phrases to the FTC include "payments must be made in three equal installments," and "final payment is due in three months." These terms fail to tell customers the beginning and ending dates of their layaway plans, as well as the exact dollar amount they must pay.

Retailers "may want to develop a standard payment disclosure format" which includes the required payment amounts, the dates when the payments are due and the date when the final payment must be made, the FTC said.

According to the trade commission's report, entitled Offering Layaways, other important aspects of layaway plans that should be disclosed include cancellation and refund policies, service or layaway charges and the location, availabliity and identification of layaway merchandise.

The report said that discounters should describe their cancellation and refund policy in "clear, simple and direct

(Continued on page 58)

Price Club Buys Warehouse, 20-Acre Tract in New Jersey

SAN DIEGO — The Price Club has added to its real estate holdings in the Northeast with the purchase a large piece of property and warehouse in Edison, N.J.

Although all of the Price Club's warehouses are roughly 100,000 sq.-ft. units, the Edison warehouse is 225,000 sq. ft. The structure occupies eleven acres on route 27 and Vineyard Road. The purchase also included a 20-acre wooded land parcel.

The West Coast based membership warehouse club has not yet decided how it will use the warehouse, according to Donald Howells, vice president of construction at Price Club. Since membership warehouses do not traditionally use distribution centers, trade observers speculate that Price Club will use at least some of the space for one of its own units and rent the rest out to other low-margin retailers.

The Price Club is going ahead with plans to open a 110,000 sq.-ft. warehouse in East Rutherford, N.J. by October of this year, said Howells. That unit is about 30 miles south of the Edison property.

Other warehouse plans for the East Coast include warehouses in Philadelphia and Smithtown, N.Y., both to be opened later this year.

Price Club currently operates 24 membership warehouse clubs, more than half of which are in California.

SOFT LINES
Save 37% on famous maker
Our price 9.99
Save 33% on a shirt he'll love to wear—a most famous logo
Comparable Value 21.00
Our price 13.99
Contemporary walk shorts—casual enough for a game of volleyball, dressy enough for a walk around town. Ours are styled by a famous maker in cool poly/cotton twill and feature two front pockets, one back pocket, and comfortable side-elastic waistband. Available in tan, navy, mauze, white, blue, gray, ivory, rose, and green. Sizes 30-42.
Comparable Value 20.00
Our price 13.99

Men's Active Wear Still Red Hot

Men's active wear is still red hot and pegged for growth. Strategies at Gemco and Prange Way are two pronged with soft lines buyers handling sporting goods apparel. Catalogers Best Products and Service Merchandise are competitors. In a catalog (above), Service featured tennis looks that could be athletic or casual. (See stories Page 9.)

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Committee Reviews DPP Model Tailored for Discount Store Use

CINCINNATI — A team of top merchandising and operations executives has reviewed Procter & Gamble's direct product profitability (DPP) model for discount stores in anticipation of presenting it before the National Mass Retailing Institute (NMRI) next month .

The group, composed of discount executives from Jamesway, Hills, Roses, Clover and Venture met recently with executives from Procter & Gamble, Management Horizons and Price Waterhouse to further contribute their input to the development of P & G's DPP methodology for the discount industry.

"We were reviewing the tailoring of the DPP number, taking the model and looking at all the components to see if what was submitted would pertain to our industry," said William Spieker, director of planogramming at Jamesway and a member of the retail advisory committee for this project. "A lot of components go into the DPP figure—measurement of wages, freight, handling . . . The food industry is using [the DPP measurement] now. Those components would have to be tailored to meet our specifications."

The meeting was part of Procter & Gamble's efforts to adapt its total systems efficiency (TSE) program, and its cornerstone concept DPP, which is already winning practical acceptance in the supermarket industry, to mass merchandising.

Over the past few months, P & G has traveled the country, presenting its methodology to senior management of several chains to generate interest in the project. At this last meeting, though, executives at the various chains reviewed the model, which had been tailored for the discount store chain, and added suggestions for its improvement.

One special measuring need of discounters, for example, is the time and cost involved in marking, handling and displaying apparel, which can be more involved than dealing with hard goods, said Spieker.

The DPP model will be presented before the industry next month at the NMRI's annual convention in Dallas.

Leading the meeting from P & G were Jack Gavin, project leader and corporate account manager; Roy Franchi, manager of sales planning, and Michael Friedman, senior project manager. James Samples, senior vice president of Management Horizons (the retailing consultant group affiliated with Price Waterhouse), which is working with P & G on the project, also attended.

The retailers present were: Jamesway's Spieker; Virginia Rago, senior director, merchandising systems development, Hills; John Carlen, senior vice president, operations, Venture; William Rittmayer, vice president for control and operations, Clo-

(Continued on page 58)

TV Ad Spending Up in 1985 at Major Off-Pricers

Chain	1985	1984	% Change
Marshalls	$10,603,700	$6,901,400	+ 54
Burlington Coat Factory	9,322,900	7,213,900	+ 29
C & R Clothiers	8,597,500	4,702,900	+ 83
T. J. Maxx	5,176,000	2,040,100	+154
Ross Stores	4,430,700	1,969,700	+125
Syms	2,917,400	2,276,500	+ 28
Men's Wearhouse	2,157,100	549,100	+293
Front Row	1,937,200	16,100	*
S&K Clothing	1,488,700	970,300	+ 53
Kids "R" Us	1,307,400	539,600	+142
T. H. Mandy	1,102,700	231,200	+377
National Brands Outlet	976,400	1,712,200	– 43

**Huge increase*
Source: Television Bureau of Advertising from Broadcast Advertisers Reports data.

Mandy, T.J. Maxx Boost Ad Dollars

NEW YORK — T. H. Mandy led off-price retailers in boosting television advertising expenditures in 1985 by nearly quadrupling its budget last year to $5.2 million.

Another four of the country's top off-pricers more than doubled their television ad expenditures last year, according to Television Bureau of Advertising estimates of costs for the ads those chains ran, underscoring the intensity of the competition which has characterized the industry in recent months. Of the 13 chains whose expenditures were monitored, 12 showed an increase in TV air time usage.

U.S. Shoe Corp.'s two off-price operations, Front Row family stores and the T. H. Mandy ladies' wear chain, had the biggest jumps in spending.

The increases during 1985 at those chains represented a new emphasis on institutional ads suitable to television and a shift away from sale-oriented price-item ads typically run in newspapers, according to U.S. Shoe's Charles Boersig,

The Houston-based Men's Wearhouse, which increased its television ad budget by 300% last year, was a more exceptional case.

The chain had cut its television budget severely in the second half of 1984 due to poor overall sales. The 1985 increase represents a return to its pre-1984 ad level, said Rich Goldman, who directs advertising for the 26-unit chain.

Other chains that registered very high increases—T. J. Maxx, Kids "R" Us and C & R Clothiers—refused to comment on advertising strategies.

Men's wear off-pricer NBO (National Brands Outlet) was the only chain listed that decreased its television advertising last year.

During 1985, NBO's strategy was to utilize all media, reports Susan Leventhal, advertising director. However, the chain will focus on television in the future, she added.

"We found that unless you're a P & G with millions of dollars to spend you have to concentrate on one medium to be really effective."

In 1986 NBO's television advertising for its 20 stores in the New York metropolitan area and Washington D.C. will exceed the 1984 level, Leventhal said.

Closes Regional Office

Mervyn's Starts Denver Mkt. Push

BOULDER, Co. — Mervyn's has begun its push into greater Denver with the opening of an 82,000 sq.-ft. store, the beginning of what local real estate sourcers said will be an effort by the Dayton Hudson subisidary to blanket the market.

Expansion into Denver will come despite cost-cutting moves by the chain which include the closing of its regional buying office outside of Dallas. Mervyn's opened that buying office in 1984 to facilitate its thrust into the South Central part of the country and planned to open several additional such offices around the country as it drove into new markets.

The buying office, however, will be eliminated and 100 staffers moved back into Mervyn's headquarters in Hayward, Calif. In the future Mervyn's will handle all expansion from those headquarters, the chain said.

Mervyn's has embarked on a cost-cutting program in the face of a decline in earnings in the fourth quarter which resulted in a higher than anticipated operating expense to earnings ratio. The cost cutting, however, will not affect store openings. Mervyn's plans 23 new stores for this fiscal year.

The move into Western Colorado will represent Mervyn's most significant expansion so far into the heart of the country from its stronghold along the West Coast and in the Southwest. With aspirations as a national chain, Mervyn's has reportedly targeted markets as far east as Detroit for stores, possibly as soon as 1987, but to date the bulk of the chain's 150 stores are still in California and Texas.

On the heels of the Boulder store opening Mervyn's has already locked up four more sites in greater Denver and is expected to add more locations quickly according to a local shopping center developer.

The Boulder Mervyn's debuted in Crossroads Mall, an 800,000 sq.-ft. regional mall already anchored by J. C. Penney, Montgomery Ward, May D & F, and The Denver.

Mervyn's orientation as a promotional, family-oriented department store has already

(Continued on page 57)

Howard's, Wickes Confer On Buyout Possibilities

MONROE, La. — Howard's president and chief executive officer James Dismore is continuing to work with the chain's parent company, Wickes, to "determine the feasibility and marketability" of the discount chain in an attempted leveraged buyout by Howard's executives.

But contrary to earlier indications that an LBO package would be presented to Wickes by Howard's within a few weeks of the parent company's March 20 announced intention to sell the 88-store chain, Dismore said he expects a longer process in his continuing talks with Wickes.

He declined to discuss a likely time frame for a buyout offer.

Glenn Hutchins, vice president, Thomas H. Lee Inc., in Boston, which specializes in leveraged buyouts and handled the Hills-SCOA transaction, said the timing of such a deal can vary radically depending on the company involved.

In certain situations, said Hutchins, a company in a strong financial position can move swiftly to close a deal and complete the details of the financing later. But in other cases, if financing is difficult to achieve, several scenarios could ensue, including a bidding war between the buyout group and other interested parties. Under such circumstances an LBO could take up to nine months to arrange.

Wickes has said that several other unidentified retail organizations have also expressed interest in the $400 million chain, which is being sold as part of Wickes' decision to divest itself of its general merchandising operations.

Designer Depot to Open N.Y. Office

NEW YORK — Designer Depot is planning to open its own buying office here, that will in part be comprised of employees who had been working directly with buying agent Fashion House before the contract between the two parties was terminated.

A spokesperson from K mart, parent company of Designer Depot, said that the new office will employ approximately 50 people and will be headed up by Matthew Moorfoot, senior vice president and general merchandise manager of the 74-unit chain.

At presstime, Moorfoot and chain president Robert Mulligan were combing the garment district here for office space.

K mart ended its relationship with Fashion House after filing a lawsuit in federal court earlier this month against the company, which had been responsible for purchasing all branded clothing for the off-price chain, and its president Jack Wasserman. A K mart statement explained: "The suit charged breach of a buying agency agreement and alleges that Fashion House and Jack Wasserman breached fiduciary obligations which they owed to K mart and were guilty of fraud and deceit in the purchase of merchandise."

This action followed an earlier suit in Providence, R.I. by Fashion House against K mart. The suit charged breach of contract.

Matthew Moorfoot, senior vp and gmm of Designer Depot, will head the new Manhattan buying office following K mart's termination of Designer Depot's buying agency contract with Fashion House.

Soft Lines

Discounters Test Limits of Red-Hot Active Wear

Gemco's expanded sporting goods apparel mix enables the chain to get 25% more active wear on the floor.

Nationwide DSN Report

Discounters are testing the limits of the red hot active wear category.

As consumers continue to don anything made of fleece and men keep turning to athletic looks for everyday wear as well as for actual sports or exercise, chains are rethinking presentations, assortments and overall buying strategies. Most are trying to enlarge the fashion end as well as the athletic end of the business.

These days more and more discounters believe the category is now big and broad enough to deserve its own department, and if not, a high profile in two.

Target turned heads throughout the industry last year when it unveiled a full-fledged adult active wear department in its prototype stores. The active wear department is located between the women's apparel section and the men's apparel department in a rear corner of the soft lines side of the store.

That unique approach fits the chain's attempt to create an apparel world distinct from the home fashion world and basic/leisure where sporting goods is housed in newer stores.

Many other discounters put active wear within the regular apparel sections and create a second active wear center in their stores by marrying athletic wear and sporting goods equipment.

The benefits are obvious. Assortments in sporting goods and fashion apparel can each be more focused. Chains can potentially en-

(Continued on page 15)

Active Wear Poll: Current Owners Top Prospects

Nationwide DSN Report

The majority of the planned purchases of men's active wear are made by men according to a recent *DSN* consumer poll.

Generally discounters assume that women make the majority of men's wear purchases, since they do most of the family shopping. But of shoppers polled by *DSN*, most who planned to buy a men's active wear item within 12 months were men who would be buying for themselves.

What's more, many of those men who plan to purchase some active wear already own at least one of the item they said they would buy. Almost none of the men without a sweat shirt, tennis shirt, warm-up suit, sweat pants or nylon running pants already in their wardrobe said they will buy that item in the next 12 months. About half of current owners are planning to buy more such items in the upcoming year.

Athletic shoes were the exception with 16% of those who don't own saying they will shop for shoes in the next year. Likewise, a higher percentage of athletic shoe owners acknowledged that they will buy replacements—65% of owners plan to buy.

The extent to which men's active wear items have become everyday apparel was also reflected by the poll. As expected, men who own tennis shirts, shorts and sweat shirts wear those items for every-day casual wear in most cases. Sweat pants, warm-up suits and athletic shoes are worn for sports and exercise as often as they are worn for casual wear, the survey revealed.

Nylon running shorts, however, are worn for sports and exercise by 70% of those polled with only 38% saying they wear the pants for everyday and casual recreation.

Last March, *DSN* had Leo J. Shapiro Associates poll consumers on their buying intentions in men's active wear. Close to 500 consumers participated in the study. Of those polled about half were women. Responses indicate brands, colors and prices shoppers will be looking for in the next 12 months.

Blue is the preferred color in tennis shirts, sweat shirts, shorts and warm-ups. In sweat pants more people planned to buy grey with blue as the second most popular.

Among those who said they wear sweat pants for everyday casual wear blue was the most often named color. Similarly, those who wear sweat shirts for casual wear named red more often than black or white, which were more popular among athletes. White was the most often named color in athletic shoes.

People named a color that they plan to buy more readily than they named a brand associated with an item. Unsurprisingly, brand awareness

(Continued on page 15)

Majority of Men's Active Wear Purchases Will be Made by Men*

Item	Men	Women
Tennis Shirts	55%	45%
Walk/Sport Shorts	57	43
Athletic Shoes	63	37
Warm-up Suits	61	39
Sweat Pants	59	41
Sweat Pants	62	38
Nylon Running Pants	58	42

*Breakout by sex of those who plan to buy active wear items in next 12 months.
Source: DSN Leo J. Shapiro & Associates Survey

Where Do Men Wear Active Wear?*

Item	Casual (recreation, work or school)	Play, sports or exercise
Tennis Shirts	72%	33%
Walk/Sport Shorts	62	39
Athletic Shoes	54	53
Warm-up Suits	49	52
Sweat Pants	49	50
Sweat Shirts	62	34
Nylon Running Pants	38	69

*Based on responses of those who currently own each item. Responses don't add up to 100% because some people listed more than one activity or didn't answer.
Source: DSN Leo J. Shapiro & Associates Survey

A recent consumer poll found that blue was the most popular color for men's active wear. In sweat pants, gray was favored and in shoes, white was tops. Shown is Prange Way, Green Bay, Wis.

SOFT LINES

Discounters Test Limits of Red-Hot Active Wear

(Continued from page 9)
large two businesses—athletic and leisure active wear—instead of one. And clothing volume can boost margins in a hard goods area where previous growth categories such as exercise equipment have waned.

Gemco and Prangeway both recently redefined the union of sporting goods and active wear by putting the sports-oriented apparel in the hands of a soft goods buyer instead of leaving the clothing merchandising to a hard lines buyers.

Gemco last fall opened in Duarte, Calif. with an expanded apparel offering within its sporting goods department, which in that store is positioned left of the front door.

By moving more of the sports-oriented apparel into the sporting goods section Gemco created more room to expand the active wear stocked in the men's apparel department, said buyer Ramlu Pandit.

Pandit buys men's active wear for the apparel department. A second apparel buyer, Carrie Cushing, formerly of Oshmans, was hired to buy active wear for the chain's sporting goods departments.

Likewise, this year Prange Way shifted responsibility for sports apparel to a softlines buyer. The departments were reset in February, according to Doug Harris, softlines vp.

"It's having a ready-to-wear mentality behind the purchasing that is new." Harris explained. The plan is to increase turns by having less apparel on hand at any time, and therefore adding new, fresh merchandise more often as the lighter inventories are replenished.

Both Gemco and Prange Way can eliminate the chances of any duplication by having the sports apparel handled by softlines buyers.

At the California-based Gemco chain active wear buyer Pandit gave up lines by Nike, Puma and Adidas to the expanded sports apparel sections last fall to tie into the athletic shoes and equipment. He kept Dunlop, Slazenger and McGregor in the regular apparel section.

In the space freed up by the shifts, Pandit expanded on private label and secondary brands with more fashion offerings. The result so far: 25% more men's active wear on the floor in newer stores and February/ March volume 45% ahead of last year in the non-athletic active wear alone.

"There was apprehension at first because I didn't know if I would lose customers along with the brands I gave up. But it looks like I gained a new customer that I hadn't been able to service before," said Pandit. He's now expecting to finish 1986 40% to 45% ahead of last year.

In short, Pandit says, Gemco realized shoppers weren't willing to pay extra for brand names in nonfunctional active wear. So in his section he went to lower price points and expanded imports and private label.

In sporting goods the athletic brands don't appear overpriced because they are no longer next to the private labels and secondary brands.

This year Gemco's men's active wear department includes 12 colors in basic fleece compared to six basic colors a year ago. Initially Pandit had planned 20% of his fall '86 business in fashion, but based on current figures he has upped that to 40%.

In the sporting goods department, Cushing is keying 75% of her active wear mix to men with Sportif, Pony, Perfection and Bike.

At Prange Way, Nike, Dunlop and Spaulding apparel is in the sporting goods department. Footwear brands in the section include Adidas, Nike, Puma and Reebok.

As at Gemco, Prange Way's Harris looks at end-use when deciding what to stock where. In apparel, sweats by Bassett Walker or Pannill are stocked in 10 colors. In sporting goods heavier sweats from MacGregor are stocked in four colors.

Similary nylon tricot shorts are stocked as an item in sportswear but as a set with a matching running-style tops in sporting goods.

Consumer Survey Shows Men Purchase Own Active Wear

(Continued from page 9)
was highest in the athletic shoe category where 72% named a brand and lowest in nylon pants, sweat shirts and sweat pants.

Only 38% of those polled named a brand they associate with nylon running pants. While 42% did associate a brand with sweat shirts, 11% named a store brand. Sweat pants are also among the less frequently associated with a brand, again with 42% naming some brand.

Notably, more of those polled planned to buy a men's sweat shirt (24%) in the next 12 months than sweat pants (18%). Some 38% plan to buy athletic shoes; 30% said they will shop for walking or sports shorts; 21% will look for a tennis shirt; 19% of those polled expect to shop for a new warm-up suit and only 7% for nylon running pants.

When asked for prices they plan to pay on each of these items, shoppers' responses were greatly varied.

In tennis shirts, $15 is the median price all those (male and female) who plan to buy, expect to spend. Some 44% expect to pay between $10 and $20 for a tennis shirt in the next 12 months.

The median price listed by consumers for walking or sports shorts was also $15. However, it seems a greater percentage of shoppers generally expect to pay less for shorts than a tennis shirt. About 40% of those who will buy said they expect to pay under $15. A total of 61% listed a price under $20.

Consumers are more segmented on prices for athletic shoes. A quarter of those who plan to buy expect to pay under $30 at retail; another 24% plan to spend from $30 to $39.99, and another 25% said between $40 and $45. In that category the median price was $35.

For men's warm-up suits $30 was the median price consumers who plan to purchase cited. While 28% want to spend under $30 almost as many—24% think they will pay $30 to $34.99. Another 24% were thinking very high or over $50 as the price for their new warm-up this year.

Close to a third (31%) of those who will buy think sweat pants will cost between $10 and $15. Three quarters of those who plan to shop expect to pay under $25.

The median price for sweat pants of $15 is a little higher than the $12 median listed for sweat shirts.

Over 40% of those who may shop for sweat shirts plan to pay between $10 and $15. And another 16% expect to pay under $10.

Best Works for Sales Gain, Defines Active Wear Niche

RICHMOND, Va. — Catalog showroom chain Best Products is after 20% to 25% gains in its year-old sporting goods apparel business.

The chain's first consistent sporting goods apparel assortment debuted in the fall of 1984. Larger units feature up to 12 racks of athletic apparel. Some of the clothing is featured in the chain's annual fall and spring catalogs.

This year, the hard lines oriented chain is still working to define its niche within athletic wear, said sporting goods director Mark Bombardier.

Working within limitations of the self-service catalog environment, such as no dressing rooms and gondola presentation in some stores, the chain is still riding the fence between totally functional athletic wear and leisure/casual items.

Last year Bombardier learned that many of the top name brands in sporting goods didn't work for Best.

"We don't do well when we border on fashion goods or go after labels found in department stores," Bombardier explained. "For some of the names we tried last year you really need a salesperson on the floor," he added.

This year the chain is avoiding department stores' turf but also keeping its brand name focus. "We're building around the Adidas name," Bombardier said. The chain started carrying those goods constistently last fall.

Overall he's stocking basic sweats in gray, blue and silver with black accents, warm-up suits, running shorts and baseball-type shirts for men plus limited ladies' wear.

Although the men's athletic wear business is currently larger than ladies', Bombardier sees more potential growth in ladies' wear. But for now the chain is emphasizing less fashion sensitive men's wear.

As part of the Adidas program, Ivan Lendel tennis wear is being tried this spring.

"I don't know how high we can go, yet. I'll know in about two months whether I can sell the Adidas," Bombardier explained.

All changes are just part of 1986 plan. But for 1987, plans for active wear are still open.

Brand Awareness in Seven Men's Active Wear Items

	Tennis Shirts	Walking/ Sports Shorts	Athletic Shoes	Warm-up Suit	Sweat Pants	Sweat Shirt	Nylon Running Pants
Named no Brand	46%	49%	28%	53%	58%	58%	68%
Named a Brand	54	51	72	47	42	42	32
Top 3 Brands							
1.	Adidas 14	Adidas 12	Nike 30	Adidas 16	Adidas 10	Store* brand 11	Adidas 9
2.	Izod/ Lacoste 8	Store Brand 8	Adidas 13	Nike 10	Nike 6	Adidas 9	Nike 8
3.	Store Brand 5	Nike 6	Reebok 5	Store Brand 8	Russell 3	Nike 6	Store Brand 6

*Store brand refers to instances where a store name was mentioned as a brand associated with the item.

Source: DSN/Leo J. Shapiro and Associates Survey

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PMA
PRODUCT MOVEMENT AUDIT

Microwave, Plush, Tool Imports Top Annual PMA

Distributors Bullish on '86 Hard Lines Business

HARDWARE

Top Sellers

Eveready E91BP-4 AA Alkaline Battery: 228,192 units/$682,294
Duracell MN1300B2 D Battery, 2-pk: 276,908 units/$670,117
Duracell MN1400B2 C Battery, 2-pk: 221,227 units/$535,369

AUTO

Top Sellers

Sealed Beam, large square: 83,728 units/$688,986
Flia Motorcraft Oil Filter: 150,966 units/$632,547
Auto Bulbs, 2 on a card: 408,365 units/$445,117

SPORTING GOODS

Top Sellers

Winchester 12 ga Pump Shotgun: 780 units/$1,220,332
Shakespeare Ugly Sticks #1100: 29,540 units/$1,003,604
Keeper Bait Fish Formula: 120,700 units/$722,993

TOYS

Top Sellers

16" Cabbage Patch: 70,000 units/$2,099,300
Cabbage Patch Premie: 41,000 units/$1,229,590
Trivial Pursuit: 35,000 units/$874,650

HOUSEWARES

Top Sellers

Empire 168-pc. Household Brush Assortment: 2,035 units/$304,619
Corelle 16-23 16 pc. set, m. blue: 8,825 units/$204,651
Corelle 16-4 Corelle set, gold: 8,779 units/$203,585

H&BA

Top Sellers

Aqua Fresh Toothpaste 6.2 oz.: 217,159 units/$366,999
Head & Shoulders Normal/Oily 15 oz.: 74,042 units/$279,879
Head & Shoulders Normal/Dry 15 oz.: 70,612 units/$266,865

Individually packaged glassware, closet storage products, vacuum ware, and microwave accessories will help drive housewares sales 8% to 10% ahead of last year.

Discounters are broadening their basic sporting goods offering—adding to categories like fishing and camping—as the sales growth of exercise equipment levels off.

In toys licensed plush is growing in importance. Teddy Ruxpin, Pound Puppies and Wrinkles will lead the plush charge this year. Imported toys with a strong margin potential will also figure more prominently in assortments this year.

Distributors in hard lines categories are anticipating these and other key products will drive sales in discount stores. These selections and others are presented in *DSN's* 12th annual Product Movement Audit, which tracks performance in 1985 and forecasts this year's trends.

The audit features movement figures from top distributors who serve many full-line discount stores and, in most cases, other key retailers who sell the products discussed in the section.

More than just a top-seller list, the PMA's provide insights into why the market moved the way it did in 1985. What brands did discounters promote aggressively? Which vendors produced the deals that discounters found most attractive? Which "hot" products are already trending down? Which new products are starting to move quickly off store shelves?

In hardware discounters continue to move toward a "kitchen drawer" approach to the business, concentrated on small hand tools, batteries and bulbs as home centers go after the bulk of the do-it-yourself business.

But manufacturers and retailers may both be missing an opportunity by not doing a better job of marketing hardware to women.

Ethnic products continue to sparkle in H&BA, despite limited distribution, while soft contact lens solutions, especially in the sensitive eyes category, are still building sales. In shaving creams, a market share war among vendors is helping create the lowest net price on some products in years.

The PMA section serves as a good barometer by which discounters can measure their performance against that of distributors serving a large number of stores. But even more, the section points the way to 1986's most important new trends. Will basic sporting goods make a strong return now that exercise equipment sales have slowed? How will the newly designed, more expensive stoneware do in housewares departments? Is now the time to increase skus in eye care?

The heart of this year's audit, including distributors' analyses of their business, is contained on the pages which follow. On this page is a quick reference to the volume winners at each distributor cited in this study.

PRODUCT MOVEMENT AUDIT: HOUSEWARES

Microwave Accessories Sales Rise

By JERRY FALK
Executive Vice President, Bacar Inc.

I know of no reason why 1986 shouldn't be a exceptionally good year for housewares in our West Coast market. To date we're running about 11% ahead in housewares over last year.

The stable economic situation in California, one of our dominant markets, has helped boost housewares sales. The employment rate has remained fairly steady. Consumers aren't looking at housewares as a luxury, but are continuing to buy these items at a normal pace.

Many housewares categories remained fairly consistent over the last year, with few changes in the top ten sellers.

However, a few categories, including microwave and Corning cookware, and vacuum ware are showing dynamic movement, both in sales and in new product introductions.

Microwaves Tapering

Sales of microwave ovens on the West Coast, which preceded the rest of the country in category acceptance by six months to a year, have begun to taper off. The microwave accessories and cookware business, though, should enjoy substantial growth because more and more people, especially in our market, are now graduating from just using microwave ovens for defrosting and reheating to cooking in them.

Manufacturers have also become more sophisticated with their microwave product offerings. The first few years our biggest selling item was a baking rack. Then manufacturers came out with a divided dish and a corn popper—and that was the extent of our microwave accessories/cookware sales.

Today they're developing a whole group of cookware items, including plastic and reusable items.

Corningware's new Visions cookware has already proven itself to be a great line, and has virtually replaced the conventional Corningware Cornflower design. Visions obviously fits a need because it's "see-through" cooking, relatively easy to use and comes in a smart-looking bronze color.

Another category that seems to be growing is vacuum ware. Despite the higher cost, stainless steel vacuum ware has replaced conventional vacuum bottles as the leader in this category. Consumers are now willing to spend the higher price points for the better quality and longer durability of stainless steel bottles.

While the category used to

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	MICROWARE			
1	Nordic Micro-Go-Round 62304	2,805	50.39	141,343.95
2	Microette Corn Popper 3.5-qt 499	7,900	7.19	56,801.00
3	A/H Micro Bacon Rack 12" X 10" PM469T1	7,368	7.19	52,975.92
4	Corning Grab-It Set white P/M-150, 2's	3,819	13.04	49,799.76
5	A/H Micro Pppr/Stmr/Rstr M400126	2,966	12.86	38,142.76
6	A/H Micro Compact Turntable A600113	1,128	31.94	36,028.32
7	Crnng Cssrl w/gls-plastic cvr P-14-SBP	3,036	11.69	35,490.84
8	Crnng Grb-It w/gls-plstc cvr P150GPCS	4,116	8.54	35,150.64
9	Corning Micro Browning Grill MW-2	1,257	26.99	33,926.43
10	Microette Plate Cover clear 486	4,740	6.02	28,534.80
	CORNING			
1	Visions V-300 6-pc Set, 1-1.5, 2.5 qt	1,936	50.39	97,555.04
2	Visions V-370 7-pc Range Top Set	819	71.99	58,959.81
3	F-2 2½-qt Oval Cass/Id, white	2,539	22.49	57,102.11
4	Visions V-20 1.5-qt Dbl Boiler w/cover	1,487	28.79	42,810.73
5	Visions V-1 1-qt Covered Saucepan	2,480	15.74	39,035.20
6	F-1 2½-qt Round Cass/lid, white	1,722	22.49	38,727.78
7	French White F14 4-qt Cov Oval Cass	1,011	30.14	30,471.54
8	Visions V-5 5-qt Cov Saucepot	1,126	26.09	29,377.34
9	Visions V3,5-S 3.5-qt Cov Steamer	1,052	25.19	26,499.88
10	F21 Roaster F/W 4½ qt	905	28.79	26,054.95

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	VACUUM WARE			
1	Aladdin qt Stanley Btl w/handle A944DH	4,118	41.39	170,444.02
2	Thermos S/Steel 1-liter grey 2490	3,297	33.29	109,757.13
3	Thermos School Kit astmt (24) 9824/5	478	226.58	108,305.24
4	Thermos Super Quart 36-oz 250	10,072	9.44	95,079.68
5	Thermos Unbreakables qt S/H 4415	8,407	7.55	63,472.85
6	Thermos Flip-Pour qt 2421/3	5,710	10.61	60,583.10
7	Aladdin qt Rugged American Bil	1,812	32.39	58,690.68
8	Aladdin 2-qt Stanley Bil w/bail	985	58.49	57,612.65
9	Thermos Poly Work Kit w/25Q 5392	3,732	15.11	56,390.52
10	Thermos Flip-Pour pt 2221/3	6,884	8.09	55,691.56
	COOKWARE			
1	Wear-Ever Pref 26030 Silv 10" Chf Fry Pn	7,515	9.89	74,323.35
2	Ekco 64110 Bakers Scrt Lrg Cookie Sht	16,667	4.40	73,334.80
3	Ekco 64100 Bakers Scrt Med Cookie Sht	15,368	3.95	60,703.60
4	Foley 780-79 Silv 10" Saute Fry Pan	7,381	8.09	59,712.29
5	Gen Hswrs 0707 "Grnte" Cnnr w/rck 21 qt	3,048	19.34	58,948.32
6	Nordic 51199 12c Formed Bundt, asst	6,240	8.99	56,097.60
7	Wear-Ever 26032 Pref Silv 12" Chf Fry Pn	4,310	12.59	54,262.90
8	Ekco 64200 Bakers Scrt 12-cup Muffin Pn	11,341	4.76	53,983.16
9	T-Fal Royale 10" Fry Pan, black	3,714	14.39	53,444.46
10	Ekco Bakers Secret Oblong Util Pan	13,308	3.95	52,566.60

OUR COMP
BIGGER TH

This may not be in keeping with the true spirit of capitalism, but at Kenney, we're committed to using less of your valuable floor space. And never giving you more product than you need.

Which brings us to the matter of our display.

You see, even though it's smaller than our competitors' displays, the Kenney display is far more efficient. And guaranteed to yield much bigger profits.

That's because our three-tier design holds up to 30 percent more product assortment in an equal amount of floor space.

Furthermore, our displays can be tailored to meet the specific needs in each one of your stores.

But now you're probably thinking, "Who'll keep the display from looking like the bombing of Berlin?" Our service reps, of course. Kenney's service reps frequently visit your stores to maintain and repair your display. Plus, they make sure the display is suffi-

PRODUCT MOVEMENT AUDIT: HOUSEWARES

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
COFFEE MAKERS/SERVERS/ACCESSORIES				
1	Melitta PA4-100 Cn Fltr #4 (6 cup) 100 ct	34,812	3.41	118,708.92
2	Melitta PA6-100 Cn Fltr #6 (10 cup) 100 ct ...	20,160	3.59	80,438.40
3	Melitta PA4-40 Cn Fltr #4 (6 cup) 100 ct	35,736	1.52	54,318.72
4	Melitta SCM10/6 Coffeemaker Systm 10 cp ..	5,568	8.99	50,056.32
5	ThermosWare 430 Coffee Butler white	1,667	26.99	44,992.33
6	ThermosWare 570 Coffee Butler, brown	1,555	26.99	41,969.45
7	ThermosWare 450 Coffee Butler, swirl	1,530	26.99	41,294.70
8	Tric GX-100 Filter Basket generic (100-pk) ...	44,272	0.89	39,402.08
9	Melitta PA6-40 Cn Fltr #6 (10 cp) 40 ct	24,267	1.61	39,069.87
10	GlenCourt 30042 Coffee Carafe 1 liter	2,720	11.69	31,796.80
CLEANING/CHEMICALS				
1	Empire 29-3352 168-pc Hshld Brsh asst	2,035	149.69	304,619.15
2	Willert 412Gl T/Bowl Fresh Deod Tree	101,577	0.62	62,977.74
3	National 900 Crn Brm (20%) econ 4 Sew	13,755	4.49	61,759.95
4	Willert 608N Cedar Moth Balls 7-oz bag	29,325	1.43	41,934.75
5	Webster 1645025 All-Purpose Duster	4,639	8.09	37,529.51
6	Lola 137-72 Exten-A-Puff 6-ft Pole	5,010	7.19	36,021.90
7	Lola 137-73 Exten-A-Squeegee 6-ft Pole	4,782	7.19	34,382.58
8	Ballonoff 19-645 Copper Dustpan	17,255	1.70	29,333.50
9	Roll-O-Matic 1185 Sponge Mop	2,652	10.79	28,615.08
10	Vac Bag T-16F&G Eureka Uprights 2's	28,669	0.90	25,802.10

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
CLOSET				
1	Itex Tubular Plastic Hanger almd-133	265,630	0.17	45,157.10
2	Itex Tubular Plastic Hanger, brown-133	234,000	0.17	39,780.00
3	Itex Tubular Plastic Hanger, white-133	231,383	0.17	39,335.11
4	Itex Tubular Plastic Hanger, rust-133	205,196	0.17	34,883.32
5	Itex Tubular Plastic Hanger, blue-133	195,100	0.17	33,167.00
6	Sterilite 1100-6 Shoe Box, almond lid	13,824	1.79	24,744.96
7	Plaza 5600/5A 5-pk Child Tubulars, asstd ...	17,596	1.25	21,995.00
8	Beverly T159-2 Wood Trouser Hanger, st-2 ..	16,251	1.34	21,776.34
9	Beverly S-159-2 Wood Skirt Hanger, st-2	14,812	1.34	19,848.08
10	Beverly S-4 Wood Dress Hanger, st-4	14,725	1.34	19,731.50
GLASSWARE				
1	G/H 15401 Drink Jar w/handle ITEA, 16 oz ...	34,416	1.25	43,020.00
2	Oly OL-12 Glass Suntea w/tap, gal	7,278	5.21	37,918.38
3	G/H 15403 Drink Jar w/handle colr 28 oz	23,396	1.61	37,667.56
4	Libbey 108 Set Bolero tawny, 24 pc	1,533	17.54	26,888.82
5	Twilight 350-6 Lamp Oil qt clear	12,074	2.15	25,959.10
6	Libbey 106 set Bolero blue, 24 pc	1,402	17.54	24,591.08
7	Oly OL-13 Glass Suntea Jar, gal	8,061	2.69	21,684.09
8	Libbey 858 Bulk Crys/Panel Ir/Cof Mug	7,244	2.96	21,442.24
9	Libbey 905 4-pk Cooler Chivalry Crystal	3,448	6.20	21,377.60
10	Libbey 904 4-pk Bever Chivalry Crystal	3,618	5.75	20,803.50

Source: Bacar, distributors, San Jose, Calif., for calendar year 1985, covering 658 stores, including 480 mass merchandisers. Average retail prices reflect typical price points for mass merchandisers.

encompass just a couple of vacuum bottles with no style, now they have decorative, colored bottles in several shapes, including some that resemble pitchers.

Aladdin and Thermos Ware continue to dominate the category. One new item on the list is the Aladdin quart "Rugged American" stainless steel bottle, which is lighter weight than the Stanley stainless steel, and less expensive. Gott, a relative newcomer to the field and not yet in the top ten, has also introduced several decorative vacuum bottles.

Overall, retailers are sustaining their competitive edge this year with price promotions in virtually all housewares categories.

Categories that are most aggressively promoted by retailers include non-stick cookware, especially in sets, and closet accessories.

In the cookware category, Wear-Ever is still the name with the greatest consumer recognition, with its Preferred 10-in. and 12-in. Silverstone frying pans each appearing on the top ten list. As usual, Ekco Bakers Secret again proves to be the top bakeware nationally.

Supported by exceptionally strong promotions, retailers are selling an amazing amount of plastic hangers. They also continue to enjoy added sales in all types of storage containers which have become necessary as more consumers move into apartments and smaller houses.

Manufacturer Promotions

Manufacturers are also supporting their products with heavy promotions. Corning, for one, is introducing more than 25 specials for the second and third quarter, an indication that the company feels it needs to continue promotions to hold market share and recapture some of its business from competitors, especially metal and microwave cookware manufacturers.

I think retailers would be wise to launch stronger promotions in all coffee-related items including coffee makers, servers and accessories. This category showed outstanding strength in 1985, and is still in a growth phase.

One new item, the "Coffee Butler" by Thermos, which took three spots on the top ten list, is a vacuum coffee server available in several colors.

In glassware, too, a new item is helping drive sales. It's a single-packed, heavy drink jar with a handle by Golden Harvest, and although a novelty item, it was our best selling glass last year.

The concept of a single-packed glass is beginning to take hold, with introductions by several major manufacturers, including Anchor Hocking and J. G. Durand.

Single glasses displayed in bulk cost less than the single-packs, but need to be wrapped and packaged carefully at the checkout counter. For this reason, many retailers push four-packs instead. The new entries give both retailers and consumers an additional option.

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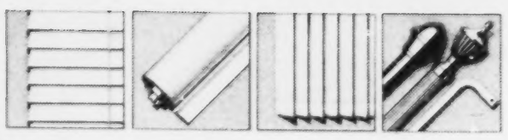

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Storage, Stick Goods Lead in '85

By ARNOLD REINHARD
Vice President, Sales and Marketing, Schreiber Company

Microwave accessories, closet storage and stick goods will be 1986's key growth areas in housewares, contributing to 8% to 10% growth across the category.

Glassware sales that had been flat for the past few years will also show signs of life with the introduction of individually packaged glassware lines to the mass market.

Microwave cookware sales, rising about 20% in 1985, will slow a little to a 12% to 15% growth rate in 1986. What increases we will see this year will be due in large part to new disposable/reuseable microwave cookware.

The disposables are gaining popularity as more consumers buy small microwave ovens, used more for reheating leftovers than for preparing a meal. Prices for disposables are becoming highly promotional as the gap narrows between traditional microwave and disposables.

In closet storage, where most discounters can expect 40% margins, there should be a growth of about 12% as retailers expand the area they devote to storage. Manufacturers like Corr-Pak will be furthering their commitment to fashion looks with new patterns later in the year.

Stick goods should see a 10% increase as mops and brooms are labeled and packaged according to their purpose. No longer do we find a rack of nondescript corn brooms. Now stick products are designed for special floor surfaces, and consumers are responding to the new labels and packaging.

Changing Assortments

In glassware, discounters are starting to offer single-packs; four single-pack glasses cost about 5% less than 4-packs. Buyers are changing their assortments to make room for them: if a discounter had twelve ft. devoted to glassware last year, with 8 ft. of four-packs and 4 ft. of open stock, he'll switch. Now he'll put out 8 ft. of single packs and 4 ft. of the four-packs.

In dinnerware, new pastel and floral stoneware offerings from manufacturers like Anchor Hocking should result in stronger dinnerware sales.

Cookware sales overall are doing better due to improved packaging. Not only is there more 4-color, but now vendors are creating highly identifiable point of sale materials for open stock fry pans and sauce pans.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
MICROWARE				
1	Micr PM469/T1 Bacon Rack	30,793	5.40	166,282.20
2	Micr PM486/T1 Divdd Plate	28,674	5.40	154,839.60
3	Micr PM481/Ti Utility Pan	23,883	5.40	128,958.20
4	Micr PM400/126 Popcrn Ppr	12,743	10.10	128,704.30
5	Micr PA600/112 Turntable	4,233	8.22	116,322.84
6	Micr PM447/T1 Muffin Pan	15,852	5.40	85,600.80
7	Micr PM446/Ti Rd Bacon Rk	14,363	5.40	77,560.20
8	Micr PM444/T1 Bake Sheet	13,090	5.40	70,686.00
9	Anch PM400/155 5-pc Pet st	3,430	19.45	66,713.50
10	Corn MW-2 Mcwv Brwn Grill	3,212	19.36	62,184.32
TABLEWARE SETS				
1	Corl 16-23 16-pc set m blu	8,825	23.19	204,651.75
2	Corl 16-4 Corelle Set gld	8,779	23.19	203,585.01
3	Corn 5016-73 Calco rse 16	6,259	29.90	187,144.10
4	Corl 16-1 Corelle Set, grn	7,532	23.19	174,667.08
5	Corl 16-29 16-pc st bouq	6,836	23.19	158,526.84
6	Corl 16-24 16-pc set, burg	6,600	23.19	153,054.00
7	Corl 16-N Corelle Set, wht	5,873	23.19	136,194.87
8	Corl 16-144 Holly Day Set	6,498	19.75	128,355.50
9	Corning 5016-74 Windflower 16	2,803	29.90	83,809.70
10	Corn 5016-75 Blue Flwr 16	2,208	29.90	66,019.20

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
CLOSET SHOP				
1	Mabx 288 Moth Balls 1-lb	50,105	1.22	61,128.10
2	Lee 3X62 Garment Rak, brwn	4,450	13.41	59,674.50
3	Corr C2410 Stor Chest, cdr	22,744	1.46	33,206.24
4	A&E BT100 Hanger, asst neon	30,768	0.10	33,076.80
5	Mabx 287 Moth Flake 1-lb.	21,423	1.22	26,136.06
6	Corr C2806 Underbed ch cd	1,734	1.46	25,891.64
7	Corr M755 3-pc Skirt Hang	10,265	1.82	18,682.30
8	Mabx 129 Hang, blck, lav	13,323	1.26	16,786.98
9	Wall 616 Expand Coat Rck	13,012	1.26	15,717.24
10	Mabx 453 Cedar Block	12,474	1.26	15,717.24
COOKWARE				
1	Miro 1487-34 7-pc Ckwear	4,822	21.96	105,891.12
2	Kenc FSL-7 Cpr Bottom	3,438	21.96	75,498.48
3	Regl W911WH 7-pc Sahara	1,546	37.87	58,547.02
4	Entr 45-507-75 7-pc Saturn	1,373	30.32	41,629.36
5	Regl W3270 10" Gourmet pn	7,312	5.12	37,437.44
6	Regl W3271 12" Gourmet pn	5,160	7.18	37,048.80
7	Entr 04-516-32 7-pc Royal	1,668	16.67	27,805.56
8	Ghsw 0707 21-qt Cov Canner	1,871	13.89	25,988.19
9	Regl W3269 8½ Gourmet pn	7,433	3.43	25,495.19
10	Miro MO932-36 T Kettle Cho	4,628	4.82	22,306.96

Source: Schreiber Co., distributor, Lititz, Pa., for calendar 1985, covering 825 stores, including 725 discount stores, in the Northeast, Southeast, mid-Atlantic and North Central regions. Average prices reflect typical price points for most discount chains.

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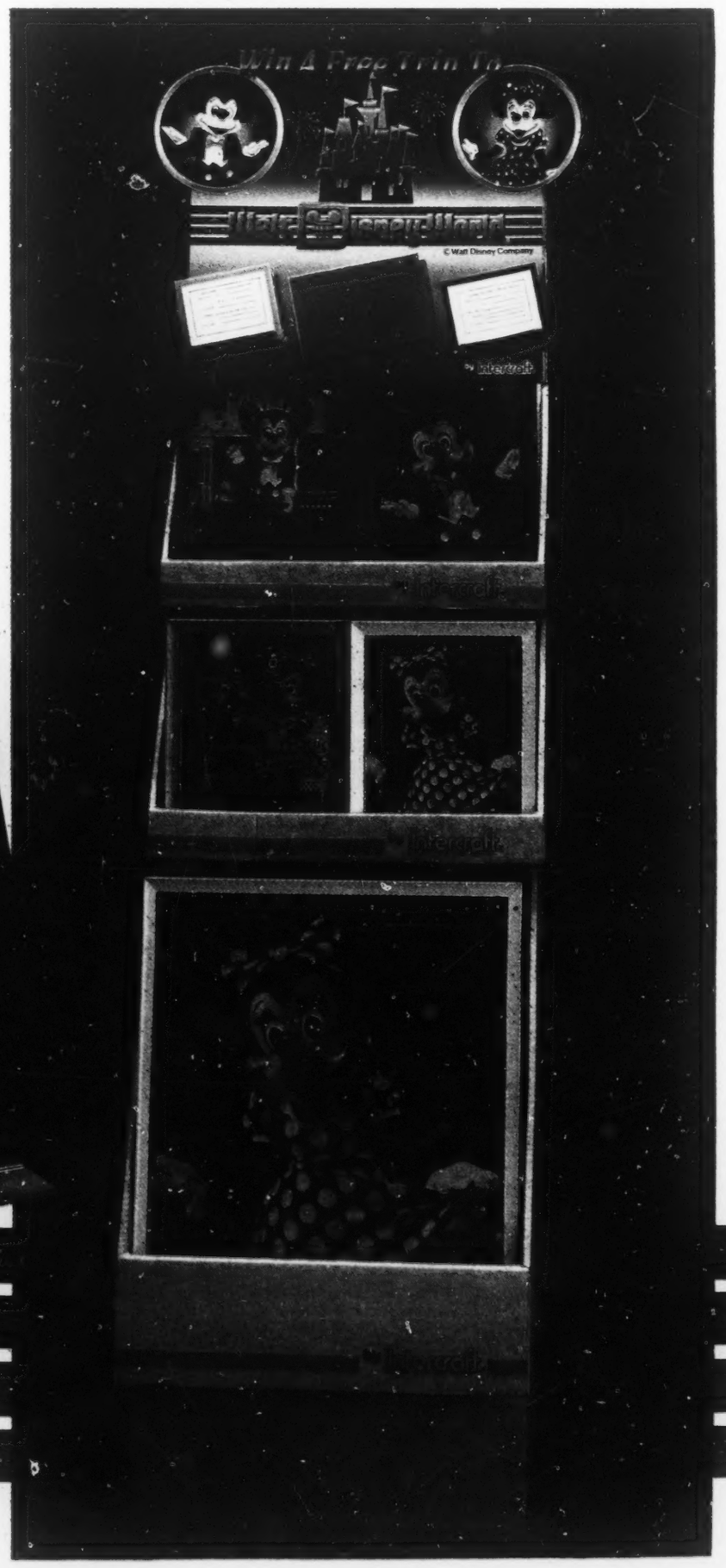

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PRODUCT MOVEMENT AUDIT: HEALTH & BEAUTY AIDS

New Items Up H&BA Growth

By CHARLES BOWLUS
Vice President, Boston Distributors

Health and Beauty Aid sales grew 7% to $21.20 billion in 1985, with discount department stores capturing over $3.35 billion or 15.8% of the business. Real growth was concentrated in those categories which increased market penetration through new product introduction and/or strong marketing programs.

Boston's dollar increase leader was the ethnic products category with a 28% gain over 1984. Carefree Curl Moisturizer, 16-oz., led category sales and in fact led all H&BA sales out of our warehouse despite a distribution rate limited to 35% of our total outlets. Sof Sheen's Carefree line dominated the PMA by capturing six of the top 10 positions.

Shampoo Sales Up

Shampoo, up 17% in 1985, is another category which responds exceptionally well to in-store promotions due to its high market penetration and the high frequency of purchase. Our PMA was led by Head & Shoulders 15-oz., the sales of which were impacted significantly by a $.60-off-label promotion in 1985. Proctor & Gamble dominated the PMA for shampoo by placing two Prell, one Ivory and a total of three Head & Shoulders sku's in the top 10 listing this year. The success of Ivory, along with Revlon's Flex, demonstrates the strength of the moderately priced brands in this important category. We expect the low end segment, represented on this year's PMA by Faberge Organics (No. 6 and No. 8), to drive the growth in 1986.

Increased sku count is recommended in the eye care category as market penetration continues at a rapid rate. There are presently 14 million wearers of contact lenses with two million new users expected each year. With 75% to 85% of new users expected in the soft lens or extended wear segments, emphasis should be placed in this area. Gas permeable products, with 15% to 20% share of users, will replace hard lens product usage and do warrant consideration but do not justify placement of the number of entries being introduced. The sensitive eye segment of the soft lens market is now the largest with a nearly three-to-one sales ratio over regular care soft lens products. The strongest growth in 1986 is expected to come in the preservative-free segment represented originally by Cooper Vision's Unisol

(Continued on page 27)

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
ETHNIC PRODUCTS				
1	Carefree Curl Moisturizer 16 oz	128,893	5.19	668,955
2	Sof-N-Free Curl Moist Spray 16 oz	73,044	4.55	332,137
3	Carefree Curl Moisturizer 12 oz	50,293	4.34	218,475
4	Carefree Curl Activator 16 oz	37,140	5.82	216,035
5	Dark & Lovely Relaxer Kit	32,072	5.99	192,111
6	Carefree Curl Moisturizer 8 oz	56,393	2.99	168,615
7	Carefree Curl Activator #2 8 oz	41,969	3.28	137,820
8	Right On Moisturizer/Actvtr Nrml 16 oz	22,314	5.54	123,622
9	Worlds of Crl Gl Actvtr Extr Dry 32 oz	12,992	9.12	118,494
10	Carefree Curl Activator #2 12 oz	25,726	4.53	116,448
SHAMPOO				
1	Head & Shoulders Normal/Oily Lot 15 oz	74,042	3.78	279,879
2	Head & Shoulders Normal/Dry Lot 15 oz	70,612	3.78	266,865
3	Ivory Shampoo Normal 15 oz	89,343	1.98	176,899
4	Flex Shampoo Extra Body 15 oz	66,637	1.98	131,941
5	Flex Shampoo Normal 7165 15 oz	62,476	1.98	123,702
6	Faberge Organic Shampoo 15 oz	90,086	1.26	113,425
7	Prell Shampoo Normal/Oily Liquid 16 oz	31,762	3.28	104,111
8	Faberge Shampoo Extra Body 15 oz	78,942	1.26	99,467
9	Prell Shampoo Normal/Dry Liquid 16 oz	28,783	3.28	94,408
10	Head & Shoulders Normal/Dry Lot 11 oz	26,158	3.53	92,338

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
CONDITIONERS				
1	Ivory Conditioner Normal 15 oz	42,473	1.98	84,097
2	Flex Balsam with Body 15 oz	40,270	1.98	79,735
3	Flex Balsam Regular 15 oz	34,238	1.98	67,791
4	Ivory Conditioner Extra Body 15 oz	30,613	1.98	60,614
5	Finesse Conditioner Extra Body 15 oz	16,564	3.39	56,145
6	Perma Soft Conditioner Regular 16 oz	17,678	3.09	54,537
7	Finesse Conditioner Extra Body 11 oz	18,877	2.79	52,678
8	Faberge Organic Conditioner 15 oz	35,149	1.26	44,315
9	Agree Conditioner Regular 15 oz	15,367	2.72	41,801
10	Finesse Conditioner Regular 15 oz	12,189	3.39	41,321
EYE CARE				
1	Bausch & Lomb Senstv Eys Sine 12 oz	99,669	3.49	347,845
2	Soflens Cleaning Tablets 24's	38,766	6.89	267,098
3	Bausch & Lomb Saline Solution 12 oz	56,340	3.49	196,627
4	Bausch & Lmb Snstv Eys Sine 8 oz	55,813	2.85	159,075
5	Soflens Cleaning Tablets 12's	31,000	4.61	142,786
6	Bausch & Lomb Daily Cleaner 1.5 oz	34,078	3.42	116,421
7	Allergan Cleaning & Disinfecting Sol 8 oz	24,401	4.74	115,680
8	Opti-zyme Enzymatic Cleaner 24's	14,895	6.29	93,666
9	Bausch & Lmb Dsnfctng Slution 12 oz	21,625	4.23	91,500
10	Bausch & Lomb Disinfecting Unit IV	2,487	31.98	79,526

(Continued on page 27)

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PRODUCT MOVEMENT AUDIT: HEALTH & BEAUTY AIDS

H&BA Up

(Continued from page 25)

line. Bausch & Lomb, which continues to dominate the category, placed six entries in our 1985 top 10 product movement audit. Allergan, with three sku's on the PMA, captured the No. 2 and No. 5 spots with their Soflens Tablets. Allergan's success has been the result of strong product development and doctor detailing.

Promotional support wasn't a problem in the shaving category as deal levels increased significantly in 1985. And it isn't over yet as Barbasol is fighting Colgate for the low end segment leadership. The result will be the lowest net pricing in 1986 that we have seen in the past five years. Look for S. C. Johnson's Edge, the total market leader, to lower its deal nets to preserve its share from erosion from the price brands even though it has locked up its premium niche.

Deodorants did not witness a significant change in 1985 due to new product introduction. New entrants consisted primarily of new flavors and sizes. Solids, including stick deodorants and antiperspirants, climbed to 43% of the total market with aerosols dropping to 26% and roll-ons staying even at 27%. Right Guard 10-oz. was our No. 1 deodorant, and Sure 6-oz. captured the No. 2 and No. 5 rankings. Secret Solid was the No. 3 sku on the PMA and the leading solid, while Ban from Bristol Myers led the roll-on segment. Mennen, not satisfied with its leadership role in the men's segment, will be introducing Real, a radical new form, about the time of the printing of this PMA. Real is a "smooth-on" and must be experienced to be appreciated.

Tylenol Still Dominates

The analgesic PMA was dominated again by the Tylenol brand, with five positions in the top 10 listings. The withdrawl of the capsule form should have only a short term negative impact on this market leader. If McNeil can hold its lock on the shelf space occupied by capsules, it should regain total share by year-end.

Probably the most volatile H&BA category in 1985 was the toothpaste category with pumps making the most noise. Colgate's early jump with the pump gave the brand market leadership for the first time in history. P & G responded later in the year with the introduction of its pumps and, more importantly, its tartar formulation. We see tartar outselling all other forms of Crest by a significant margin and all pumps gaining shares steadily from tubes. Look for Crest to set record shares in 1986 and Colgate to re-evaluate the differentiation of its plaque formulation, Dentaguard, in both name and price from the Colgate brand. As a result of P & G's increased share, we expect promotional levels from Colgate, Lever and and Beecham to increase, thereby increasing profit opportunities for the retailer in the category.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	SHAVE CREAMS			
1	Gillette Brush Plus System 2 oz	12,733	6.42	81,711
2	Edge Shave Cream Sensitive 7 oz	44,918	1.69	75,911
3	Barbasol Regular 11 oz	63,769	1.09	69,508
4	Edge Shave Cream Regular 7 oz	35,207	1.69	59,500
5	Colgate Instant Shave Regular 11 oz	53,194	1.09	57,961
6	Edge Shave Cream Skin Conditioning 7 oz	34,170	1.69	57,747
7	Foamy Regular 11 oz	23,609	2.19	51,601
8	Edge Shave Cream Extra Rich 7 oz	25,194	1.69	42,578
9	Barbasol Lanolin 11 oz	36,327	1.09	39,596
10	Colgate Instant Shave Aloe 11 oz	34,761	1.09	37,889
	DEODORANTS			
1	Right Guard Deodorant 10 oz	67,131	3.29	220,861
2	Sure Deodorant Regular 6 oz	54,465	3.54	192,576
3	Secret Solid Antiperspirant Regular 2 oz	69,739	2.55	127,834
4	Sure Doedorant Unscented 6 oz	41,948	3.54	148,496
5	Mennen Speed Stick Regular 2.5 oz	70,105	2.05	143,584
6	Ban Roll On Deodorant Regular 2.5 oz	38,200	3.17	121,253
7	Sure Solid Antiperspirant Regular 2 oz	46,882	2.55	119,686
8	Secret Solid Regular 3 oz	29,836	3.69	110,095
9	Sure Deodorant Regular 4 oz	46,506	2.36	109,977
10	Secret Roll On Regular 2.25 oz	36,215	2.95	106,995

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	ANALGESICS			
1	Tylenol Extra Strength Capsules 100's	30,913	7.35	227,341
2	Anacin Tablets 100's	51,755	4.18	216,161
3	Excedrin Tablets 100's	41,035	5.15	211,400
4	Tylenol Extra Strength Capsules 50's	44,788	4.50	201,558
5	Tylenol Extra Strength Tablets 100's	30,810	6.12	188,548
6	Tylenol Extra Strength Tablets 60's	42,612	4.03	171,785
7	Tylenol Tablets 100's	36,319	4.51	163,887
8	Bufferin Tablets 100's	33,421	4.04	135,067
9	Bayer Aspirin Tablets 100's	46,378	2.73	126,640
10	Anacin Tablets 200's	15,986	7.84	125,410
	TOOTHPASTE			
1	Aqua Fresh Toothpaste 6.4 oz	217,159	1.69	366,999
2	Crest Toopthpaste Gel 6.4 oz	125,017	1.69	211,279
3	Colgate Toothpaste Pump Regular 4.5 oz	119,763	1.69	202,399
4	Crest Mint Toothpaste 6.4 oz	114,722	1.69	193,880
5	Crest Toothpaste Regular 6.4 oz	105,629	1.69	178,513
6	Colgate Toothpaste Pump Gel 4.5 oz	88,141	1.69	148,958
7	Aqua Fresh Pump 4.6 oz	76,691	1.69	129,608
8	Crest Toothpaste Gel 8.2 oz	55,786	2.19	122,171
9	Crest Tartar Control Toothpaste 6.4 oz	70,596	1.69	119,307
10	Crest Mint Toothpaste 8.2 oz	54,410	2.19	119,158

Source: Boston Distributors, Maple Heights, Ohio, for calendar 1985. Boston supplies over 800 stores, including about 400 discount stores, in 18 states. Average retail prices listed by the distributor reflected typical price points for discount stores.

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PRODUCT MOVEMENT AUDIT: HARDWARE

Women Customers Gain Importance in Category

By THOMAS A. CORNELL
Senior Vice President, Sales, Schreiber Co.

As home centers siphon do-it-yourself business from the discount market, discounters need to gear more of their assortments to women with a "kitchen drawer" approach to the department.

Discount merchants should concentrate on such merchandise as batteries, bulbs, small hand tools and fuses.

Only light DIY goods have a place in discount stores today. In plumbing, for example, women will buy a toilet repair kit but will not attempt repairs "below the waterline."

Manufacturers are going only halfway in focusing on the female customer. On the one hand, suppliers are offering attractive packaging with instructions on the back. On the other, they are doing little to change their product mix.

Packaged sets are a good idea in merchandising for the woman hardware customer. Women are more likely to buy a packaged assortment of drill bits—perhaps as a gift. They are less likely to buy single replacement bits.

The plumbing goods that are moving are those targeted at women.

Between 1985 and 1984, Melard toilet tank kits held the line in retail price points at $6.50, while increasing in unit sales from 1,913 to 2,547. That meant a projected increase in retail sales from $12,434.50 to $15,736.50.

Imports are improving margins in hand tools. At the same time, discounters are promoting to increase turns.

Volume for most hand tools slipped in 1985. The Stanley 11-921 heavy duty blade slid from 1984 sales of 15,592 units to 13,946 units last year. Approximate retail sales dropped during the same period from $20,259.04 to $17,850.88. The decline was typical for the category.

In paint, private label is growing at the expense of national brands with declining margins. Drawing traffic with competitively-priced paint remains important to generate sales in higher-margin sundries. We have found that rebates and other incentives work well. Coupons, for instance, are effective in selling aerosol spray paint.

The brush business is getting more sophisitcated. Manufacturers have made large strides with packaging and coordinated displays. In this cat-

(Continued on page 33)

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	PLUMBING			
1	Melard 1501 Basket Strainer	10,919	1.55	16,924.45
2	Melard 1600 Toilet Tank Kit	2,421	6.50	15,736.50
3	Melard 1660 Survo-Flush Kit	2,547	5.97	15,366.78
4	Melard 1603 Ballcock Brass	1,376	10.95	15,067.20
5	Melard 1422 Super Plunger	4,559	3.26	14,862.34
6	Melard 18016 6' Fem X Fem	3,769	3.58	13,493.02
7	Melard 373 Shower Massage	1,294	10.22	13,224.68
8	Melard 49021E Plunger	8,972	1.45	13,009.40
9	Melard 1619 Flapper Ball	8,661	1.41	12,212.01
10	Melard 3525 Shower Massage	700	17.21	12,047.00
	HAND TOOLS			
1	Arrow T-50 Staple Gun Tack 042617-7	1,088	16.97	18,463.36
2	Stanley 11-921 Heavy Duty Blade	13,946	1.28	17,850.88
3	Stanley 33-425 25' Tape Rule	1,309	13.57	15,029.95
4	Juri B-103 Tool Holder	1,217	12.35	15,029.95
5	Stanley 33-212 12' Power Rule 041278-9	1,423	9.27	13,191.21
6	Stanley 33-312 12' Power Rule 041279-8	1,785	7.36	13,137.60
7	Stanley 34-500 100' L Tape	1,089	12.00	13,068.00
8	Stanley 10-099 Retract Knife	3,513	3.47	12,190.11
9	Arrow T-50 Staple Gun Tack 42616-8	881	13.70	12,069.70
10	Juri N-453 Nail Bag	1,020	11.56	11,791.20
	HARDWARE			
1	Bost 203 Glue Gun	1,049	11.67	12,241.83
2	Bost 220 All Purpose Glue	3,394	2.24	7,602.56
3	Ferm #500 8x10 Shelf Bracket	13,192	0.54	7,123.68
4	Ferm #500 10x12 Shelf Bracket	7,605	0.86	6,540.30
5	Ferm #500 6x8 Shelf Bracket	14,945	0.42	6,276.90
6	Bost K110 Pop Rivetool	446	9.84	4,388.64
7	Bost 229 4" Glue Sticks	1,125	3.59	4,038.75
8	Shep 9121 1" White Tip	3,275	1.23	4,028.25
9	Stanley 84-107 8" Slp Jt Pli	882	4.53	3,995.46
10	Shep 9091 Rd Cpt Base Cup	2,662	1.43	3,806.66

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	POWER TOOL ACCESSORIES			
1	B & D 71-01313-pc bit set	2,100	11.03	23,163.00
2	B & D 73-300 3-in-1 Blade	2,490	7.87	19,596.30
3	B & D U1670 6-pc set	1,551	9.54	14,796.54
4	B & D 71-120 Hole Saw Asst	1,006	10.53	10,593.18
5	B & D 71-007 7-pc Drill Set	1,752	5.95	10,424.40
6	B & D 71-382 Mag Bit w/Hld	1,408	6.82	9,602.56
7	B & D 70-404⅛" Drill Bit	6,475	1.45	9,388.75
8	B & D 71-010 10-pc Bit	1,160,	8.03	9,314.80
9	B & D 71-005 5-pc Drill Set	1,599	4.42	7,067.58
10	B & D 73-007 Combination Blade	2,350	2.84	6,674.00
	PAINT TOOLS			
1	Hyde 04850 6" Wall Scraper	10,965	2.77	30,373.05
2	Hyde 13050 Razor Scraper & Blades	21,107	1.26	26,594.82
3	Hyde 0910 Corner Tool	3,275	7.48	24,497.00
4	Hyde 09710 10" Knife	2,450	7.53	18,448.50
5	Hyde 04100 1.5 Putty Knife	12,616	1.46	18,419.36
6	Hyde 09100 10" Taping Knife	2,440	7.53	18,373.20
7	Hyde 04700 4.5 Wall Scraper	8,097	2.26	18,299.22
8	Hyde 2850 6" Joint Knife	3,435	4.96	17,037.60
9	Hyde 09058 Precut Drywall	3,820	4.38	16,731.60
10	Hyde 45810 Super Guide	4,425	3.47	15,354.75
	LIGHTING			
1	Lite UC15P Und Cab Lit	6,745	8.70	58,681.50
2	Jama 75 20 Glass/8 Lite	522	84.38	44,046.36
3	Robt KL54B Circline 2	794	34.89	27,702.66
4	Jama 73 6 Glass/3 Lite	630	32.82	20,676.60
5	Jama 80 12 Glass/6 Lite	240	65.63	15,751.20
6	Dval 40830K Oak	95	155.18	14,742.10
7	Lite 95-2411 Gridlight	638	21.90	13,972.20
8	Dval 9800PB Wall Fixture	1,379	10.05	13,858.95
9	Dval 80840K Oak	160	85.31	13,649.60
10	Dval 4461PB Bevel	96	139.65	13,406.40

ATTENTION SUPPLIERS
OPEN BUYING DAYS
IN LOS ANGELES

Shopko Stores from Green Bay, Wisconsin, will have Open Buying Days in California to review Regional sources of supply to service our new western stores in the states of Idaho, Montana and Washington. Distributors and regional vendors that service Idaho, Montana and Washington are desired. **Open Buying will be on May 28, 29 & 30 from 8 am to 5:30 pm at the Buying Offices of Atlas West Corp., 12th Floor, 117 West 9th Street, Los Angeles, California, 90015.** Our primary interest lies in the following hardlines and softlines merchandise categories:

Electronics
Hardware
Auto
Candy
Grocery
Lawn & Garden
Tobacco
School Supplies
Sporting Goods
Fireworks
Books
Magazines
Toys
Woven Tops/Missy, Jr.
Knit Tops/Missy, Jr.
Knits and Woven Tops/Plus Sizes
Jeans & Pants/Missy, Jr., Plus Sizes
Domestics
Jewelry
Crafts
Fabrics

Please call 414-497-2211 ext. 332 to schedule a personal interview.

Shopko Stores, Inc. Green Bay, WI

Hardware

(Continued from page 28)

egory consumers want a quality product, and price is less important than on paint itself.

Batteries, a strong part of the business, were attracting attention even before Union Carbide's sale of Eveready to Ralston.

Both Eveready, with 60% of the market, and Duracell, the nearest competitor, have introduced batteries with 15% longer life, and that is producing excitement in the category. Discounters are reponding to this new potential by placing new emphasis on batteries in their hardware departments and cross-merchandising batteries in the fronts of stores as an impulse item.

Batteries in multi-packs are making a comeback. Rayovac is doing well with a Smart Pack usually sold near the checkout lanes.

In sales, the Eveready AA alkaline battery remains the leader, increasing in units from 201,989 in 1984 to 228,192 last year. With the typical retail holding steady at $2.99, overall volume climbed to $682,294.08 last year from $603,887.31 in 1984.

Duracell is moving up fast in our shipments, taking second place under Eveready in first place. Shipments for the Duracell D two-pack reached 276,908 last year, up from 196,520. That means retail sales of of $670,117.36 last year, compared with $440,204.80 in 1984. The increase came despite a price hike that took the typical retail from $2.24 in 1984 to $2.42 last year.

Power tools are rebounding, but our shipments of the category's top-grossing Black & Decker Dustbuster have declined as the Dustbuster Plus has garnered more market share. Last year, we moved 2,853 Dustbusters, down from 3,722 in 1984. That represents an estimated dip in retail gross from $118,471.26 in 1984 to $86,274.72 last year.

Retail Gross Doubled

The Dustbuster Plus, however, increased sales sharply as lower prices generated movement. Schreiber shipped 477 units in 1984, when the typical retail was $40.64. Last year, at a retail price point of $29.44, the company sold 1,265 units. The projected retail gross rose from $19,576.20 in 1984 to $37,241.60 last year.

Black & Decker had a greatly improved year in 1985 with 7 1/4 in. power saws. Sales rose from $43,294.44 in 1984 to $76,304.80 last year. Last year, 1,885 units sold at a typical retail of $40.48. The year before, 474 sold at $41.30.

3M Co. continues to dominate Schreiber Co. shipments of abrasives. 3M's 9002 medium sandpaper led category sales in 1984 and still managed to improve performance greatly last year. After shipping 25,898 units in 1984, we moved 44,594 units in 1985. In estimated retail sales, that meant an increase from $43,249.66 to $76,178.79. Typical retail price increased a dime to $1.71.

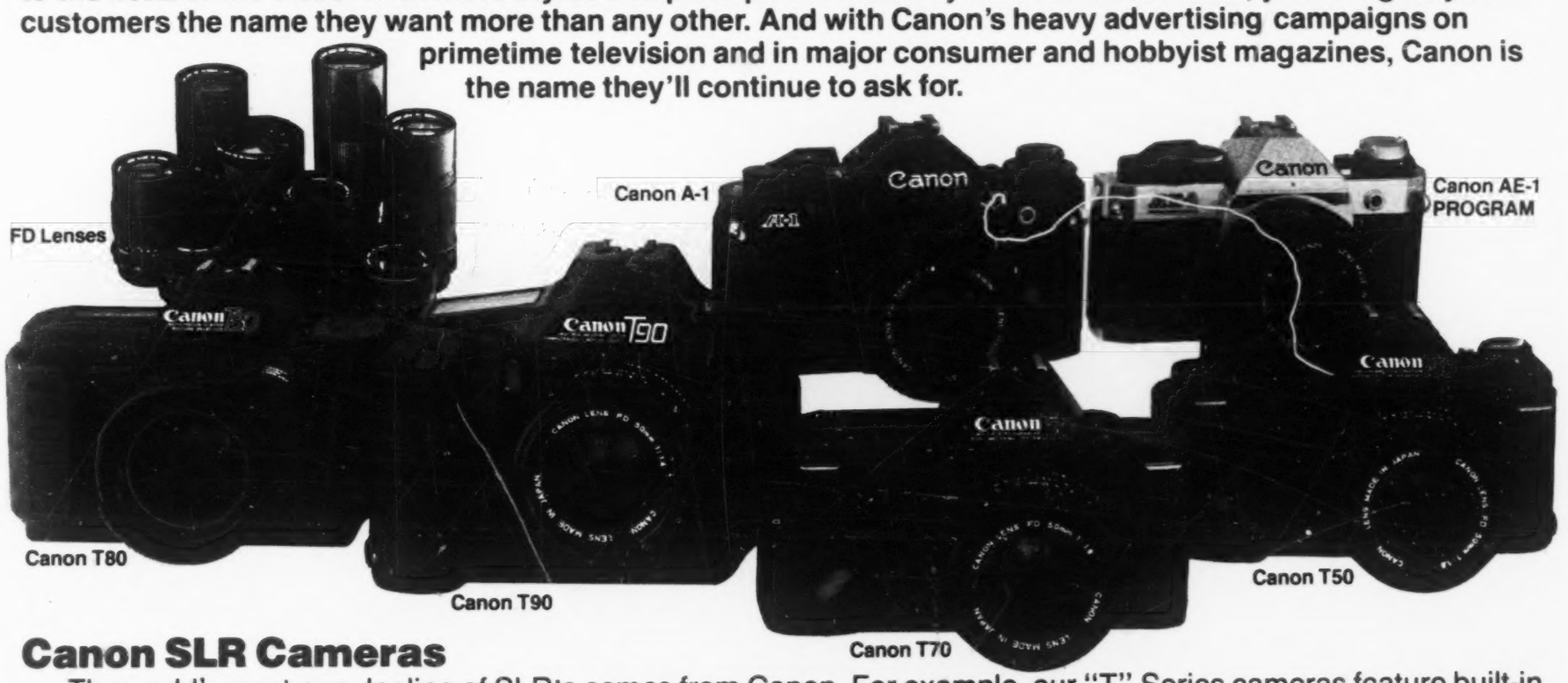
$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
BATTERIES				
1	Eveready E91BP-4 AA Alkaline	228,192	2.99	682,294.08
2	Duracell MN1300B2 D 2-pk	276,908	2.42	670,117.36
3	Duracell MN1400B2 C 2-pk	221,227	2.42	535,369.34
4	Duracell MN1500B4 AA 4-pk	172,989	3.07	531,076.23
5	Eveready E93BP-2 C Alkaline	218,364	2.23	486,951.72
6	Eveready E958P-2 D Alkaline	212,400	2.23	473,652.00
7	Duracell MN1604B 9 V	149,780	2.42	362,467.50
8	Duracell MN1500B2 AA 2-pk	179,043	1.74	311,534.82
9	Eveready E91BP2 AA Alkaline	159,299	1.88	299,482.12
10	Eveready 522BP 9-V Alkaline	116,443	2.23	259,667.89
POWER TOOLS				
1	B & D 9330 Dustbuster	2,853	30.24	86,274.72
2	B & D 7308 7¼" saw	1,885	40.48	76,304.80
3	B & D 9360 Spotlighter	2,000	24.98	49,960.00
4	B & D 7391 7¼" Circular Saw	708	54.39	38,508.12
5	B & D 9333 Dustbuster Plus	1,265	29.44	37,241.60
6	B & D 7147 ⅜ Rev Drill	1,108	26.33	29,173.64
7	B & D 7447 Belt Sander	561	46.19	25,895.76
8	B & D 7404 Sander	908	26.81	24,343.48
9	B & D 7190 ⅜" Drill Vs	528	41.25	24,007.50
10	B & D 7530 2 Speed Jig Saw	880	26.85	23,628.00

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
ABRASIVES				
1	3MCO 9002 Sandpaper Med	44,594	1.71	76,178.79
2	3MCO 9003 Sandpaper Corse	36,405	1.71	62,252.55
3	3MCO 9005 Sandpaper Asst	36,010	1.71	61,577.10
4	3MCO 9001 Sandpaper Fine	27,657	1.71	47,239.47
5	3MCO 9000 Sandpaper X-Fine	19,287	1.71	32,980.77
6	3MCO 8651 Dust Masks 5-pk	14,658	2.19	32,160.15
7	3MCO 9088 Wet or Dry Asst	7,069	2.52	17,813.88
8	Intl St Wool 8-Pad	14,524	1.07	15,540.68
9	Intl St Wool 8-Pad 3/0	13,471	0.97	13,066.87
10	3MCO 9064 Emery Asst	3,880	3.30	12,804.00
ELECTRICAL				
1	Epak Moc-6C Multi-Outlet	2,198	16.82	36,970.36
2	Epak Moc-4C Multi-Outlet	1,624	15.02	24,392.48
3	Carol 100' 16-2 Extension Cord	1,596	13.38	21,354.48
4	Leviton 3-Way Adapter	24,701	0.57	14,079.57
5	Carol 8½" Clamp Light	2,385	5.25	12,521.25
6	Carol 9' Extension Cord, brown	11,748	1.06	12,452.88
7	Woods 100' 16-3 Extension Cord	992	12.06	11,963.52
8	Leviton Dimmer	2,870	4.16	11,939.20
9	Leviton Outlet	4,463	2.45	10,934.35
10	General 50' 12-2 Romex Cable	1,018	10.20	10,383.60

Source: Schreiber Co., distributor, Lititz, Pa., for calendar 1985, covering 825 stores, including 725 discount stores, in the Northeast, Southeast, mid-Atlantic and North Central regions. Average prices reflect typical price points for most discount chains.

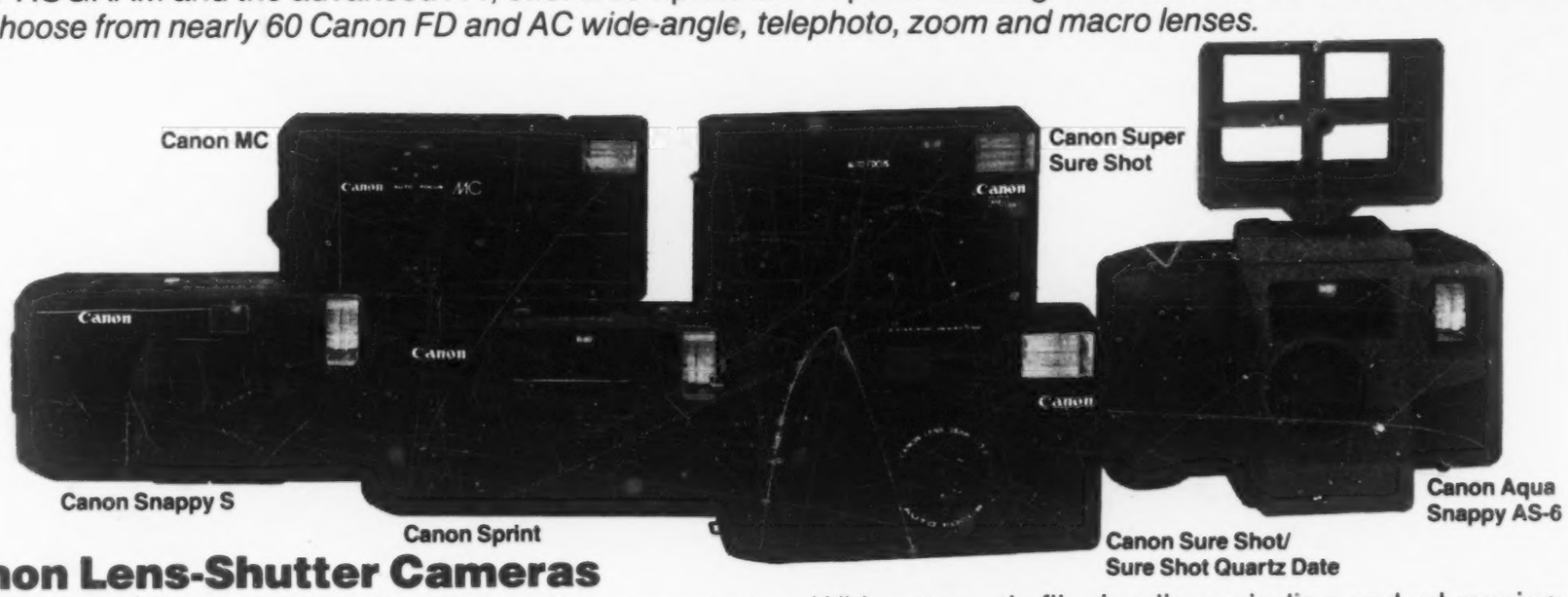
Canon
The multiple choice answer.

When it comes to giving your customers a choice of 35mm cameras, there's no question that Canon goes to the head of the class. With more styles and price points than any other camera maker, you can give your customers the name they want more than any other. And with Canon's heavy advertising campaigns on primetime television and in major consumer and hobbyist magazines, Canon is the name they'll continue to ask for.



Canon SLR Cameras

The world's most popular line of SLR's comes from Canon. For example, our "T" Series cameras feature built-in, motorized film loading and winding plus touch-button controls that make them incredibly advanced, yet programmed automation and even programmed flash, make them simple to use. And the Canon "A" Series, featuring the popular AE-1 PROGRAM and the advanced A-1, offer a complete line of profit-building accessories. *And Canon SLR owners can choose from nearly 60 Canon FD and AC wide-angle, telephoto, zoom and macro lenses.*



Canon Lens-Shutter Cameras

Canon is also the leader in 35mm snapshot cameras too. With automatic film loading, winding and advancing, automatic exposure, automatic flash and more, your customers never have to settle for anything less than Canon quality. And the new Aqua-Snappy AS-6 brings a new dimension to 35mm photography—all-weather and underwater capability at a popular price. Canon offers the most complete line of 35mm lens-shutter cameras—they're sure to make your cash registers ring!

Canon

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PRODUCT MOVEMENT AUDIT: SPORTING GOODS

Chains Broaden Fishing Basics, Trim Exercise Gear

By FRANK KATLIN
Vice Chairman of the Board, Maurice Sporting Goods

Although 1985 was only a moderately successful year, we do see prospects for growth in 1986. The major change last year was a decline in exercise equipment. Retailers are cautious about growth in the exercise business and are responding with a back-to-basics strategy in other categories.

They are emphasizing broader assortments and stronger presentations in fishing, camping and general exercise, categories where everyday merchandise will produce a greater return.

There are some key items that should help produce good results for 1986. One example is Mag Instrument, a mini mag accessory pack, and another is a miniature flashlight/accessory kit that will most likely be offered at $14.99 on special. In fishing, the key item will be the Zebco #33 classic fishing reel, with retailers probably offering it at $19.99 on sale. Promotional fishing lure kits, like the South Bend kit 90 will remain strong as the concept of the kit becomes more popular than single lures.

The Plano Phantom tackle box will do well. It's somewhat larger than other tackle boxes, with some hi-tech cosmetics. It will probobaly sell at $34.99 everyday, with some retailers promoting it at $29.99 range. Many mass merchants had an excellent year in fishing as combos and tackle boxes continue to be the backbone of the department.

Fitness a Key Area

During 1985, discounter sporting goods departments ran at a 7% to 10% increase. Overall inventories reduced quite well at the end of the year, due to a strong sell through at Christmas. The fitness category still remains a key area in the department but the exercise equipment side of the business is down.

Price points on weight benches and exercise bicycles continue to come down and unit sales were off. The top price points on exercise bikes are now closer to $80, probably lower on ad, compared to the $100 to $125 everyday price of a year ago.

In the fishing category, Shakespeare and Johnson brands had particularly strong years. The bulk of sales for combination rod and reel sets is generated at price points from $19.99 to $24.99.

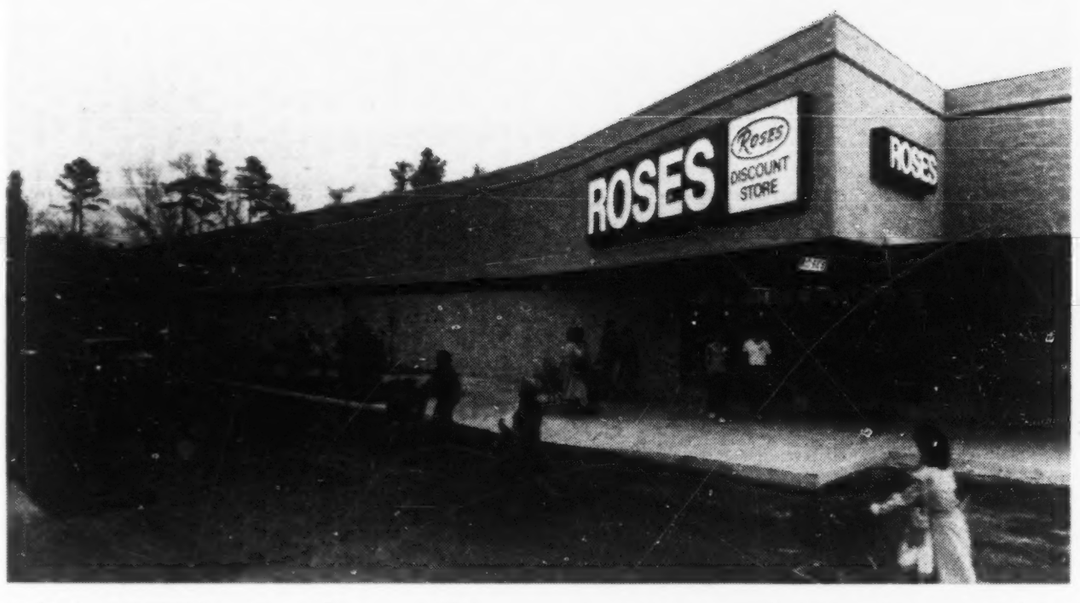
Although hunting has been played down in recent years, discounters that do sell guns and ammunition enjoyed a strong year in the category, especially on promotional shotguns and rifles. The most popular promotional price point on a Marlin rifle, for example, seems to be $79.99.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	FISHING			
1	Shakespeare Ugly Sticks #1100	29,540	34.99	1,033,604
2	Keeper Bait Fish Formula	120,700	5.99	722,993
3	Zebco Spincast Kit #1245	40,584	12.99	527,186
4	South Bend Spincast Kit	40,980	9.99	409,390
5	Zebco Spincast Reel #33CP	26,600	14.99	398,734
6	Berkley Lightning Rods #LR15	8,760	44.99	394,112
7	Plano 3 Tray Tackle Box	31,275	11.99	374,987
8	Zebco Spincast Kit #1545	24,700	14.99	370,253
9	South Bend 1300 Series Rod	37,550	8.99	337,574
10	Zebco 33 Classic Spincast Reel	15,621	19.99	312,263
11	Ryobi VMAG3 Baitcast Reel	10,570	24.99	264,144
12	Johnson 225 Spincast Reel	14,662	12.99	190,459
13	Daiwa Spinning Kit	11,027	12.99	143,240
14	South Bend 3000 Series Rod	11,870	11.99	142,321
15	Garcia Spincast Kit	8,670	14.99	129,963

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	ATHLETIC			
1	Keeper Bait Deer Formula	20,275	5.99	121,447
2	Tasco Scope	2,250	49.99	112,477
3	South Bend All Star Batting Set	9,350	9.99	93,406
4	Schrade Knife	2,706	24.99	67,622
5	E. Z. Mount Gun Rack	6,650	6.99	46,483
6	Daisy BB Gun	1,540	29.99	46,184
7	Tonka Toaster	6,200	6.99	43,338
8	Crossman BB Gun	1,170	34.99	40,938
9	South Bend Folding Stool	10,170	3.99	40,578
10	Outdoorsman Deer Formula	9,950	2.99	29,750
11	Kent Vinyl Cushion	3,380	7.99	27,006
12	Bear Archery Aluminum Arrow	9,794	2.49	24,389
13	Gee Lox Gun Rack	3,327	6.99	23,255
14	Hunter Safety Vest	6,580	2.99	19,674
15	Camo Tee Shirt	3,250	5.99	19,467

Source: Maurice Sporting Goods, Chicago, for calendar 1985. Maurice distributes to 25,000 sporting goods outlets, 72% of them discount stores, in 42 states. Prices reflect average price points of discount clients.

LAST YEAR A BILLION DOLLARS WORTH OF MERCHANDISE WAS TAKEN FROM OUR STORES.



TV's. VCR's. Outdoor grills. Microwave ovens. 10-speed bikes. Food processors. Lee jeans. The latest fashions. They're all walking out of Roses at an incredible rate.

As a result of this, Roses' sales topped one billion dollars this year.

Roses doesn't sell over a billion dollars worth of merchandise a year by being a nickel and dime operation.

Founded in 1915, Roses has through internal expansion grown to a chain of over 200 modern discount stores operating in the Southeast. And we're adding an average of 25 new stores a year.

Every Roses carries over 30,000 different products in 63 departments. We sell all merchandise at low discount prices. Every day. And Roses has over 40 sales a year. So a lot of times we sell products for even less.

Roses always offers the lowest prices possible. Because we buy in volume for all of our stores.

Today's Roses have wide aisles to make shopping fast and easy. Name brand products are always attractively displayed.

Roses' state-of-the-art computer checkout lets us know exactly what's taken from our stores. So we can easily control inventory.

At Roses, we've always done everything possible to put our customers first. That's why more than 80 million people spent over a billion dollars with us last year.

And that's a success story no one can take away from us.

ROSES

The best place for the best price.®

PRODUCT MOVEMENT AUDIT: AUTOMOTIVE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVE			
1	Sealed Beam, large square	83,728	7.99	668,986
2	Fila Motorcraft Oil Filter	150,966	4.19	632,547
3	Auto bulbs, 2 on a card, 1157	408,365	1.09	445,117
4	Sealed Beam, large round	135,178	3.29	444,735
5	Armor All Protector, 8 oz	146,639	2.99	438,450
6	Sealed Beam, low square	85,391	4.99	426,101
7	Snowite Lit'N'Easy, gal	29,427	13.99	411,683
8	Gumout Jet Spray, 13 oz	170,176	2.39	406,720
9	Raindance Pste, applctn pckg, 14 oz	55,408	7.19	398,383
10	Hydraulic Floor Jack, 2 ton	7,261	54.29	394,199
11	Armor All Protector, 16 oz	62,275	6.19	385,482
12	Air Compressor, w/gauge	16,269	22.99	374.024
13	Mini Hydraulic Floor Jack, 2 ton	8,174	44.99	367,748
14	Halogen Sealed Beam, large square	17,190	19.99	343,628
15	Turtle Wax Supr Hrd Shell Pste, 14 oz	83,314	3.99	332,422
16	Quartz Hlgn Fog Light Kt, Amber	10,264	29.99	307,817
17	Oil Treatment, 15 oz	125,839	2.29	288,171
18	Raindance Lqd, applctn pckg, 16 oz	35,472	7.19	255,043
19	Gamout Carburetor Cleaner, 12 oz	123,624	1.89	233,649
20	AC Spark Plugs, R45TS-8BP	19,149	12.09	231,511
21	Roberk 16" Wiper Blade Refill	100,743	2.19	220,627
22	Westl Bleche-Wite-Liquid, 20 oz	99,422	2.19	217,734
23	Window Film Kit, smoke 20" x 10'	23,083	8.99	207,516
24	Gunk Engine-Brite Aero, 20 oz	92,840	2.19	203,319
25	Freon, 14 oz, 1001	155,385	1.29	200,446
26	AC Oil Filters, PF-47	49,368	3.99	196,978
27	Chamois, 2½ sq ft	32,575	5.99	195,124
28	Roberk 18" Wiper Blade Refill	87,231	2.19	191,035
29	Warco Dot Brake Fluid, qt, 1002	48,073	3.89	187,003
30	Lee Oil Filter, LF 1	52,620	3.49	183,643
31	Armor All Protector, 32 oz	20,295	8.99	182,452
32	WD-40 Aerosol, 9 oz	69,543	2.59	180,116
33	AC Oil Filters, PF-25	44,370	3.99	177,036
34	Quartz Hlgn Drvng Lght Kt, clr	5,810	29.99	174,241
35	Turtle Wx Zip Wx Liqd Cr Wsh, 18 oz	72,801	2.39	173,994
36	Roberk 16" Wiper Blades	78,077	2.19	170,988
37	One Piece Auto Ramp, pair	7,695	21.99	169,213
38	Pylon 16" Wiper Refills, 1016	75,333	2.19	164,979
39	Snap Fix-A-Flat, 12 oz	118,438	1.39	164,628
40	Armor All Protector, 4 oz	95,982	1.69	162,209

(Continued on page 39)

Introducing
OLYMPUS INFINITY.
The totally automatic, weatherproof 35mm.

NEW FROM OLYMPUS, THE CAMERA THAT REDEFINES "ULTIMATE" IN THE LENS-SHUTTER CAMERA. INFINITY—OFFERING INNOVATIONS OF INFINITE ADVANTAGE!

TOTALLY AUTOMATIC

From loading to rewinding, INFINITY does it all. Auto load, auto advance, auto film speed setting, auto programmed exposure, auto ESP Quick Flash, auto rewind—equals total automation. The INFINITY gives what your customers need—Olympus 35mm quality with automatic ease.

ESP QUICK FLASH SYSTEM FIRES EVERY SECOND

Just open the Dust Barrier—INFINITY measures the light and automatically fires the flash when needed. No matter how complex the lighting—indoor, backlit or even automatic fill-flash—INFINITY makes it simple because of its ESP Quick Flash.

And quick! With its user-replaceable Duracell Lithium battery pack, INFINITY's flash recycles *every second*. And under normal use it will keep flashing with unparalleled speed and dependability, for as long as 5 years on a single battery pack!

INFINITY's ESP Quick Flash System is light-years ahead of the rest!

WEATHERPROOF AND WATER-RESISTANT

INFINITY is more than a fair-weather friend! Weatherproofing makes it the first popularly-priced auto focus 35mm camera that can go anywhere, taking on showers or snow, dust or blowing sand—and keep taking beautiful pictures.

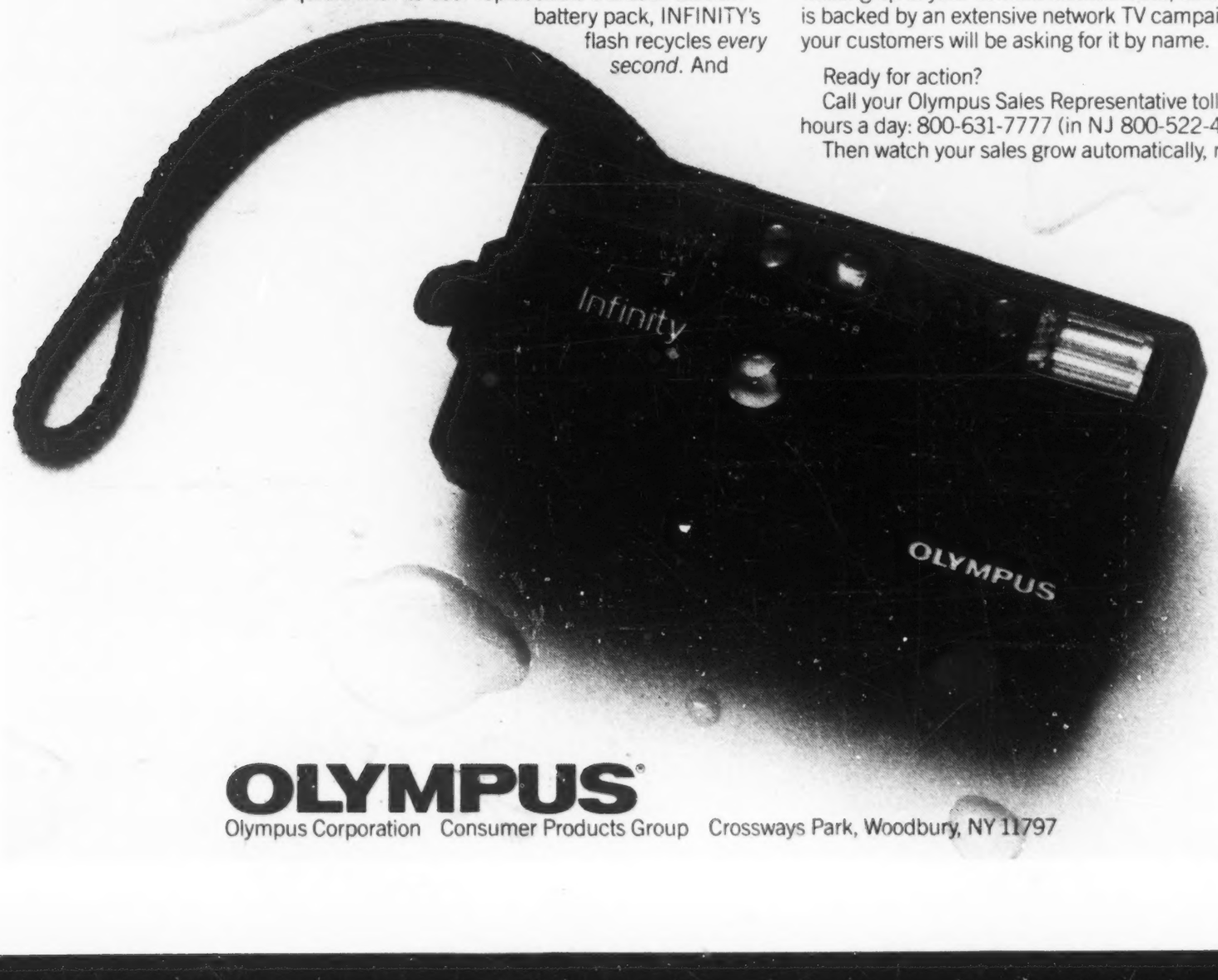
INFINITELY EASIER TO SHOW AND SELL

There's no limit to the market seeking the high quality, utterly simple and economical operation of this latest Olympus breakthrough. INFINITY is for anyone looking for a totally automatic 35mm that takes superb pictures...anytime, anywhere, under *any* circumstances. That means anyone walking up to your camera counter! And, since the INFINITY is backed by an extensive network TV campaign, many of your customers will be asking for it by name.

Ready for action?

Call your Olympus Sales Representative toll-free, 24 hours a day: 800-631-7777 (in NJ 800-522-4159).

Then watch your sales grow automatically, rain or shine.



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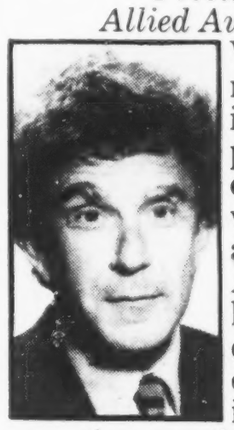
Olympus Corporation Consumer Products Group Crossways Park, Woodbury, NY 11797

Economy Boosts Car Care Sales

By HERB RECHTER
President,
Allied Auto Parts



With the dramatic decline in gasoline prices and fewer vacationers willing to go abroad, many Americans are likely to begin driving more, especially during the peak vacation months of summer.

That additional driving should help boost sales of a wide range of auto aftermarket products. Cars with more miles on them will need to replace parts more quickly and will use up additives and other care products more rapidly.

Americans are clearly paying close attention to their cars these days. This trend is reflected in the rise of sales of performance products. People are "chroming up" under the hood as a new emphasis on dressing up a car takes hold, and discounters have carved out special sections in their auto departments for this business.

Window Film Sales Up

One product in particular which has grown quickly in sales is a window film kit, smoked, 20 in. by 10 in., which skyrocketed to 23rd on the list of top selling items. Consumers are apparently attracted both by the advantages of smoked windows and by the way it helps "dress up" their cars. Another window film kit, 20 in. by 5 in., is also among the top 100 moving items in 55th place.

Although discounters continue to look aggressively for potentially hot new products, much of the emphasis remains on staple products, particularly those which are not heavily advertised brand names. Profitability in the category is being driven by old-standbys like wiper blades and quartz halogen lights where margins haven't been eroded by heavy brand name television advertising.

Discounters continue to get more aggressive on price to meet the challenge of auto parts specialty stores which continue to spread rapidly and are clearly here to stay. The emphasis in advertising will stay on chemicals and accessories and other staples products discounters feel they can compete in against the specialists, who continue to lure shoppers by featuring parts in their major promotions.

As part of the process of becoming more profitable in these staples, discounters continue to weed out their departments. In waxes and polishes, for instance, buyers are avoiding the fringe items and going back to the basics like

(Continued on page 39)

Car Care

(Continued from page 36)

Raindance paste, 14-oz., which ranked 9th on the movement chart this year. Manufacturers have clearly caught on to the trend, because they introduced few new items this year. That suggests that the back-to-basics movement in waxes and polishes will be around for some time.

To be more competitive, discounters are also focusing on private label products, especially imported lines that leave good room for profits. Our retailers have done well with bulbs, antennas, mirrors and floor jacks.

One private label item that is particularly strong is an air compressor with gauge. That ranks 12th on the movement list. The air compressor carries the third highest average retail among the top 15 products, going out consistently for $22.99. It sells so well because of its versatility as both an auto and a bike product.

Third Brake Light Down

One item trending down is the third brake light. Vendors rushed into this category and more than 100 different brands must now be available. That oversaturation has helped drive down the retail from an average of $19.99 last year to about $7.99 at present. I expect to see further declines, probably to as low as $4.99 within the next several months.

The move toward halogen sealed beams continues to gather strength. A halogen sealed beam, large square, jumped to 14th on the current movement list, compared with 19th position on the previous list. The average retail for the product stayed at $19.99. A second sku of halogen sealed beam is 45th on the list, up from 70th place on the previous list.

Last year also saw a brief resurgence in our 2-ton hydraulic floor jack. The year before it slipped from 2nd to 14th on the list because we added a mini-hydraulic floor jack. Although the mini-jack outsold the regular sized jack again this year, it did so by a smaller margin. The higher average retail of the regular floor jack, $54.29, helped push it up to 10th on the most recent product movement list.

Auto Shack Installs System

MEMPHIS — Auto Shack, the chain of specialty auto stores based in Memphis, is currently installing a new computerized system to monitor merchandise placement and movement to meet the company's growth demands.

The new system, dubbed CAESAR (Computer Assisted Evaluation System for Automotive Retailing) should be in place by June.

The computerized planogram system will provide information on floor plans, shelving orders and item evaluation by store and zip code, said the company.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVE			
41	Jack Stand, 3,000 lb	29,181	5.49	160,203
42	Rislone Oil Alloy, 100 qr, 32 oz	56,161	2.79	156,689
43	Pylon 18" Wiper Refills, 1018	71,400	2.19	156,366
44	Prestone Hvy Dty Brk Fld, 12 oz	78,548	1.99	156,310
45	Halogen Sealed Beam, large square	13,906	10.99	152,826
46	Motorcraft Oil Filter, Fl 400	31,435	4.69	147,430
47	Chmpn Spk Plgs, RV15YC4BP8 (RBL15Y4)	12,135	12.09	146,712
48	Air Conditioner Recharge Kit, w/freon	21,187	6.89	145,978
49	Johnson Wax Kit, Pre-soft Pst Wax	34,676	4.19	145,292
50	Antenna Spring w/Booster, 45"	15,816	8.99	142,185
51	Roberk 18" Wiper Blades	64,883	2.19	142,093
52	Warco Dot Brake Fluid, 12 oz, 1001	94,919	1.49	141,429
53	Auto Bulbs, 2 on a card, 1157 NA	85,938	1.59	136,641
54	Auto Bulbs, 2 on a card, 194	124,029	1.09	135,191
55	Window Film Kit, smoke 20" x 5'	28,218	4.79	135,164
56	6-Amp Battery Charger, SE 86	4,.480	29.99	134,355
57	C-16 Bars Leak, 12 oz (80)	61,148	2.19	133,914
58	CD-2 Oil Detergent, black label	55,458	2.39	132,544
59	8101 BP Top Post Hd Term 1/cd	132,163	0.99	130,841
60	Lee Oil Filter, LF-40	32,423	3.99	129,367
	AUTOMOTIVE			
61	15" Wire Wheel Cover	6,805	18.99	129,226
62	Prestone Super Flush, 22 oz	39,131	3.29	128,740
63	Lee Oil Filter, LF-25	32,938	3.89	128,128
64	E43Z-12A297A DY425 Module	1,853	68.83	127,549
65	Multi-Srvc Grease, 14½ oz	91,517	1.39	127,208
66	400-195 Thermostat b/p	56,816	2.19	124,427
67	Snowite Lite-N-EZ qt kit, 3305	24,885	4.99	124,176
68	AC Oil Filters, PF-35	30,561	3.99	121,938
69	R45TS-8TB replaced by #187706	10,017	12.09	121,105
70	DL Hand Cleaner, blue label, 14 oz	93,296	1.29	120,351
71	Gas Can, flex spout, 2 Gal	19,603	5.99	117,421
72	Sealed Beam, low round	42,028	2.79	117,258
73	Plastic Bttl Gas-In Anti-Freeze	198,458	0.59	117,090
74	Super Hard Shell, liquid, 12 oz	39,083	2.99	116,858
75	14" Wire Wheel Cover	5,973	18.99	113,427
76	High Intensity Fog Light Kit, amber	8,721	12.99	113,285
77	Turtle Minute Wax, 18 oz	18,907	5.99	113,252
78	Blue Poly Paste Sealant, 16 oz	11,330	9.99	113,186
79	Gas Can, flex spout, 5 gal	8,693	12.99	112,922
80	Chamois, 4½ sq ft	12,528	8.99	112,626

Source: Allied Accessories and Auto Parts, Madison Heights, Mich., for calendar 1985. Allied services over 2,500 retail outlets throughout the United States, 98% of which are discount auto departments. Average retail prices reflect typical price points for discount stores.

Hasbro's Hottest Are Now on Snack Packs®!

Snack Pack, America's *only* combination day pack and insulated lunchbox, now features Hasbro's hottest characters — G.I. Joe®, My Little Pony®, Transformers®, and Jem™. It's sure to be the number one back-to-school sell-out. Snack Pack holds school supplies *and* keeps lunch crisp and beverages cool. And this year, Snack Pack has a reflective safety stripe and comes in exciting new packaging for high visibility and quick sell-through.

See Snack Pack at: Toy Fair, Colman & Hirschmann Inc., NY Showroom, 200 Fifth Avenue, Room 1452, and at the Back-To-School Show, Sport Graphics' Booth #4154, or call 1-800-423-BAGS for more information.

SPORT GRAPHICS® USA
Cranston, Rhode Island

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PRODUCT MOVEMENT AUDIT: TOYS

Boys' Action Figures to Drive Fourth Quarter Toy Volume

By JEFFREY C. KASCH
President,
M. W. Kasch Company

Industry growth should be 10% to 15% this year, compared with just 3% to 4% in 1985. The difference this year will be that consumer demand for key toy categories will be more consistent through the fourth quarter, driven by boys' action figures, a variety of plush and electronic learning toys.

We are far more optimistic in terms of toy sales overall for the last six months of 1986. Last year, there were tremendous shortages in the boys' action category—Masters of the Universe, GoBots, GI Joe, Transformers—in the first quarter. Everything had sold out. As we got into the middle of the year, GoBots slowed down, Masters and even Transformers slowed down near the end of the year. They hit a wall.

For 1986 I think the dominant category will be, once again, boys' adventure toys. The animated, activited plush like Teddy Ruxpin will be a key category this year, second only to boys' action toys.

Learning Aids to Follow

Third, or maybe even second, will be learning aids by Coleco, Video Tech and Texas Instruments that offer electronic word and math games. Licensed plush is also going to be wild: the Pound Puppies, Wrinkles, Fluppy Dogs, and the others.

What kind of a toy year was 1985? In comparison to 1984 it was not a good year. That year (1984) was so heavily skewed by Cabbage Patch and Trivial Pursuit that the numbers were virtually impossible to duplicate. It was a tough act to follow:

■ While the world proclaimed Cabbage Patch dead, the consumer bought more Cabbage Patch in 1985 than in any prior year. Coleco tried to control the availability so that the market wasn't glutted. We all tend to be piggish. The minute someone says "shortage," we order four times what we can handle.

Real Baby also did very nicely in the open-eye version last year (rather than the sku with eyes closed). For this year, the jury is out on just how the doll will perform. Right now nothing in baby dolls is strong. We may end up with the traditional fourth quarter doll business when major purchases are deferred until the last minute and become almost a necessity on holiday shopping lists.

There was a little burst of activity when Cabbage Patch clowns were introduced, but $30 and $40 dolls don't necessarily sell well in April, May and June.

■ For the last several years, plush has been very quietly gaining momentum as a product category and has represented a larger percentage of consumer pruchases than it did three or four years ago. This year we are seeing a continuation of that trend as well as an explosion of product that is animated or interactive, that combines a plush look with an interactive activity.

■ Basic toys are the other side of the coin from boys' activity toys. Basically, the promotional goods died in the fourth quarter of 1985 and the basic staple merchandise took off like a scared rabbit. One major example was the entire game category. It just melted off the shelf. And the preschool category, it melted off the shelf. It's almost impossible to explain. Somewhere there is a cycle operating; perhaps it's a trend that is taking place within our society.

But then I can turn around and look at the first quarter of 1986 and see that all the promotional, gimmicky items are selling. There's an item called Madball we can't get enough of. There's an item from Mattel called Muscles, which is a hot promotion that is flying off the counter.

■ Are imports playing a more important part in retail assortments than they used to? Talking about place of origin is the wrong way to attack the issue because many of the lines by Mattel, Hasbro and Kenner are imported products that are manufactured offshore. But some of the domestic marketers have abandoned a segment of the market—the nonpromoted $1 to $5 toy. In that sense there is some very viable product that is being manufactured off-shore. Items like battery operated, action animals and vehicles are only available off-shore.

Prices took a major leap upward last year, as shown by the cost of the top 10 toys for consumers. In 1984 the top 10 would have cost consumers $128.90 with unit volume at 2,025,000, but in 1985 that amount rose to $299.90 on unit volume of 423,000 units.

Pricing is important, but it is not the dominant feature. If you've got a great toy that is expensive and the public wants it, they are not afraid to spend dollars. I do think it shows there is a relationship between total consumer dollars spent and number of units sold.

Spending Limit

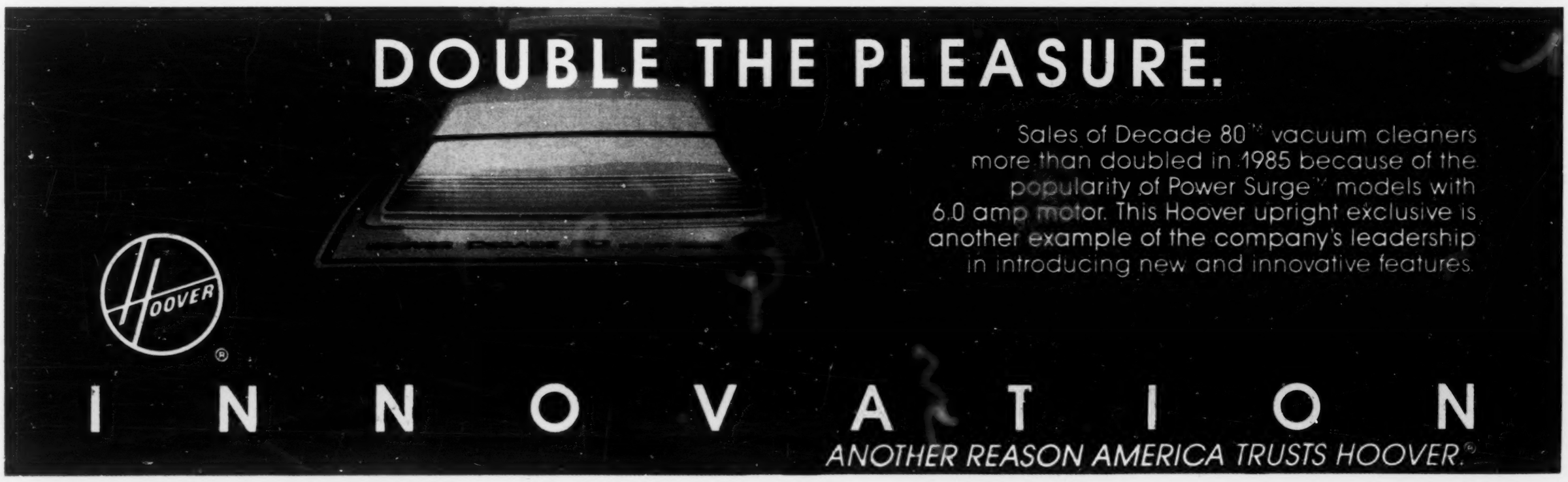
Obviously, the public has "X" number of dollars they are going to spend on toys. The family has set a spending limit and although this family may be willing to spend $69.99 for a Teddy Ruxpin, the same family then becomes less, rather than more, likely to turn around and spend $30 on a Cabbage Patch or other major toy purchase.

Part of the pattern of consumers spending more on toys is due to overall higher costs. Five years ago, would you have paid $12,000 for a Chevrolet?

Retailers who have decided to be cautious and carry a broad assortment until they see what the hot toy will be risk being out of stock on key items. And the strategy isn't foolproof. Last year was a prime example. Everything that was hot, with rare exceptions, in the first six months of the year hit a wall in October or November. It is very difficult to project product through a 12-month cycle based on the first six months. It is not impossible, but in general terms, your success ratio is not going to be great.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	TOYS			
1	Coleco 16" Cabbage Patch Kids	70,000	29.99	2,099,300
2	Coleco Cabbage Patch Preemie	41,000	29.99	1,229,590
3	Selchow & Righter Trivial Pursuit	35,000	24.99	874,650
4	Worlds of Wonder Talking Teddy Ruxpin	12,000	69.99	839,880
5	Selchow & Righter Young Players Edition	30,000	24.99	749,700
6	Tonka Pound Puppies Asst	38,000	17.99	683,620
7	Mattel Masters of the Universe	126,000	4.99	628,740
8	Hasbro My Buddy	21,000	24.99	524,790
9	Hasbro Transformer Dinobot Asst	42,000	11.99	503,580
10	Select M Gabby Talking Bear	8,000	59.99	479,920
11	Hasbro Real Baby, Open Eye	16,000	29.99	479,840
12	Selchow & Righter Trivial Pursuit Genius II	24,000	19.99	479,760
13	LJN Toys Wrestling Superstar Figure	57,000	7.99	455,430
14	Mattel Masters of the Universe Evil Warrior	85,000	4.99	424,150
15	Hasbro Transformer Autobot Jumpstarter	69,000	5.99	413,310
16	Hasbro Transformer Constructicon Asst	67,000	5.99	401,330
17	Coleco 16" Cabbage Patch Twins Asst	5,000	79.99	399,950
18	Hasbro Transformer Decepticon Triple	36,000	10.99	395,640
19	Mattel Princess of Pwr Fig Asst	55,000	6.99	384,450
20	Hasbro My Little Pony Baby Asst	55,000	6.99	384,450
21	Hasbro Trnsfrmr Dcpticon Pine Asst	31,000	11.99	371,690
22	Mattel Masters of the Universe Evil Horde	57,000	5.99	341,430
23	Hasbro Transformer Autobot Car Asst 2	34,000	9.99	339,660
24	Pressman Wheel of Fortune	27,000	11.99	323,730
25	Coleco Cabbage Patch World Travelers	8,000	39.99	319,920
26	Hasbro Transformer Insecticon Asst	63,000	4.99	314,370
27	Hasbro Transformer Autobot air	10,000	29.99	299,900
28	Coleco Cabbage Patch Show Pony	10,000	29.99	299,900
29	Hasbro Transformer Omega Supreme	7,000	39.99	279,930
30	Eagle Rubber 10" Glo Playballs	275,000	0.99	272,250
31	Hasbro Transformer Construction Set	9,000	29.99	269,910
32	Coleco Cabbage Patch Koosas	12,000	21.99	263,880
33	Hasbro G.I. Joe Crimson Twins	34,000	6.99	237,660
34	Hasbro G.I. Joe Figure Asst	78,000	2.99	233,220
35	Mattel Masters of the Universe Deluxe	33,000	6.99	230,670
36	Playskool Alphie	9,000	24.99	224.910
37	Hasbro My Little Pony Rainbow Asst	45,000	4.99	224,550
38	Hasbro Glo-Friends Asst	80,000	2.79	223,200
39	LJN Toys Thundercats Good Figure Asst	37,000	5.99	221,630
40	Coleco Cabbage Patch Show Pony w/Doll	3,000	69.99	209,970
41	Fisher-Price Sing-Along Radio	7,000	29.99	209,930
42	Coleco 16" Black Cabbage Patch Kids	7,000	29.99	209,930
43	Hasbro Real Baby, Closed Eye	7,000	29.99	209,930
44	Hasbro Music Glo-Worm	14,000	14.99	209,860
45	Kenner 13" Care Bear Cousins	14,000	14.99	209,860
46	Hasbro Transformer Autobot Car Asst	21,000	9.99	209,790
47	Hasbro G.I. Joe Figure Asst	69,000	2.99	206,310
48	Select M Mini Bot Convertors	69,000	2.99	206,310
49	Panosh Voltron Lion Force	29,000	6.99	202,710
50	Selchow & Righter Baby Boomer Edition	10,000	19.99	199,900
51	Hasbro Transformer Autobot Leader	9,000	21.99	197,910
52	LJN Toys Thundercats Evil Figure	33,000	5.99	197,670
53	Hasbro Transformer Large Insecticon	16,000	11.99	191,840
54	LJN Toys Voltron Lion Power Attacker	23,000	7.99	183,770
55	Hasbro Transformer Autobot Microscope	14,000	12.99	181,860
56	Matchbox Voltron Lion	16,000	11.99	181,840
57	Matchbox Voltron Lion Set	3,000	59.99	179,970
58	Hasbro G.I. Joe Cobra Hydrofoil	9,000	19.99	179,910
59	Hasbro Little Pony Asst II	45,000	3.99	179,550
60	Chemtoy 8-oz Liquid Bubbles	590,000	0.29	171,100
61	Parker Monopoly	17,000	9.99	169,830
62	LJN Toys Voltron Assembler	34,000	4.99	169,660
63	Kenner 13" Care Bears	11,000	14.99	164,890
64	Kenner 13" Care Bears	11,000	14.99	164,890
65	Galoob Sweet Secrets Jewelry	47,000	3.49	164,030
66	Hasbro Transformer Decepticon Leader	8,000	19.99	159,920
67	Matchbox Voltron Warrior Asst	8,000	19.99	159,920
68	Matchbox Voltron Lion Asst	8,000	19.99	159,920
69	Playskool Casey	3,000	49.99	149,970
70	Hasbro Trans Decepticon Robot Gun	6,000	24.99	149,940
71	Fisher-Price Bubble Mower	10,000	14.99	149,900
72	Tonka Gobot Asst 1 and 2	50,000	2.99	149,500
73	Panosh Voltron Action Figure	49,000	2.99	146,510
74	Aviva Large Wuzzles w/Book Asst	8,000	17.99	143,920
75	Hasbro G.I. Joe Battle Platform	9,000	15.99	143,910
76	Hasbro Transformer Decepticon 2-pk	24,000	5.99	143,760
77	Mattel Masters of Universe Shark	13,000	10.99	142,870
78	Galoob The Animal Firebird	7,000	19.99	139,930
79	Hasbro Transformer Decepticon Commun	8,000	16.99	135,920
80	Hasbro Transformer Autobot Radio	8,000	16.99	135,920
81	Mattel Peaches 'N Cream Barbie	13,000	9.99	129,870
82	Kenner Super Powers Figure Asst 1	32,000	3.99	127,680
83	Kenner Super Powers Figure Asst 2	32,000	3.99	127,680
84	Kenner Play-Doh 4-pack	51,000	2.49	126,990
85	Hasbro Transformer Autobot Mini-Vehicle	44,000	2.79	122,760

Source: M. W. Kasch Company, Mequon, Wis., for calendar 1985, covering 1,700 stores in 12 midwestern states. Average retail prices reflect typical price points for discount chains.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Discount Store News®

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Top Management, Investors Offer To Purchase Pamida from ESOP

By STEVE MALANGA

OMAHA — An investment group led by top management and Citicorp Capital Investors has agreed to purchase Pamida from the Employee Stock Ownership Plan (ESOP) which presently controls the company.

The investor group, which includes chairman and chief executive office C. Clayton Burkstrand, vice chairman John Wiesner, and president and chief operating officer Frank Schlosser, is paying $70.63 a share, or nearly $170 million, for PMD Investment Co., which controls Pamida.

Pamida has been 100% employee owned since 1981, when then-chairman D. J. Witherspoon sold his controlling interest to Pamida's ESOP. At the time of the deal Pamida ranked as the largest company on the New York Stock Exchange ever to be purchased by its employees.

The new deal will hinge upon the approval of Pamida employees who participate in the ESOP.

"The employees will have the chance to determine the financial advantages of this offer," Burkstrand said.

The ESOP originally purchased the company for $6.00 per share. The current offer of $70.63 per share represents an 1,100% gain in five years.

According to Corey Rosen, executive director of the National Center for Employee Ownership, if 5,000 of Pamida's 5,700 employees are part of the ESOP, the average sum each employee could take home from the deal is $30,000. Since part-time employees and those working for less than a year do not participate

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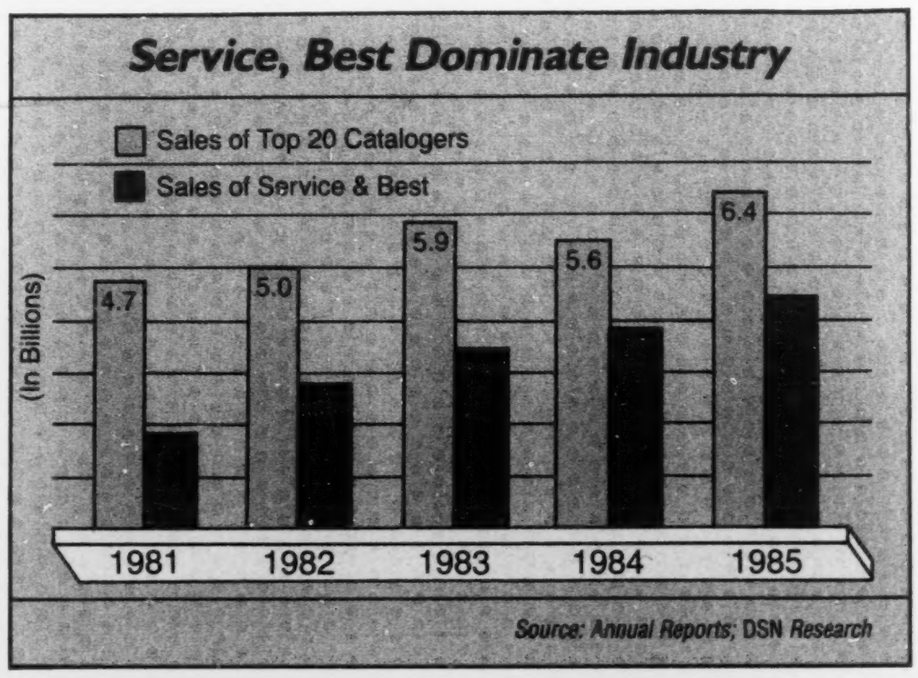

Gold Circle starts at 'Ground Zero'

By KAREN PAXTON

WORTHINGTON, Ohio — Peter Hayes' broad confident smile keeps reappearing as he talks about Gold Circle's new life as the single revitalized discount division of Federated Department stores.

For Hayes, who left Hills to chair Gold Circle early last year, it's a chance to play a role in building a new chain. "We've started again from ground zero," he said in an interview at the chain's headquarters.

The chairman and chief executive officer interprets the recent consolidation of the 31-unit Richway and the 45-unit Gold Circle as a vote of confidence from the parent company to position Gold Circle in the 1990's as an indisputedly dominant player in the competitive discount arena.

"It's like being born wealthy," he said of the

Peter J. Hayes, chairman and ceo of Gold Circle, sees a new chain taking shape. Coming in September, Gold Circle will introduce a layout with a new home world.

commitment Federated has made to the new Gold Circle. Although Hayes wouldn't say how much money Federated has earmarked for revamping its consolidated discount division, he did say the costly project of adding front end scanning equipment to the former Richway stores (Gold Circle was already equipped) will be completed within three years.

The closing of Richway offices in Atlanta resulted in savings which will immediately drop to the chain's bottom line. However, as Hayes is well aware, Gold Circle will have to continue to meet its parent company's standards in return on investment.

To that end the groundwork for an updated, consistent and centrally run operation is well under construction.

- August 1 is the target date for the completion of the merged system of financial and merchandising reporting for all 76 stores.
- At presstime, the headquarters staff was in the

(Continued on page 38)

Regionals Will Fuel Showroom Growth

Nationwide DSN Report

Regional chains will begin playing a more important role in the catalog showroom business as the industry continues to consolidate.

The contraction of the industry, which still hasn't run its course, has confirmed the dominant position of the two national catalogers, Service Merchandise and Best Products, which together accounted for $4.48 billion in sales last year, or about 64% of the industry's total.

The large volume staked out by Service and Best, however, masks each chain's true sales picture. Service's same store sales were up just 1.4%, with the chain's overall growth mainly due to acquisitions. But this move has markedly hurt the chain's bottom line, once one of the industry's most profitable operations.

Best's overall sales were down 0.8%, and its earnings plunged to the lowest level in the past decade.

However, the shakeout in the number of chains has propelled about three dozen surviving regional operators—mainly independents like L. Luria & Son, W. Bell and some members of the MAI and Paul Schultz Catalogs group—into a new position. They are seen as the companies that will power the industry's growth.

In their attempt to carve out new directions for the catalog showroom industry, these regionals have tailored marketing programs to focus less on broad general merchandise assortments and more on categories of traditional strength.

The Present Co.'s president James R. Present described the direction these regional chains are taking as an instance of "each operator finding and intensifying its own merchandising and market niche. In our case [and that of most other regionals] it means a strong emphasis on higher

(Continued on page 4)

Overseas Terrorism Prods Chains to Defer Travel

By BETH A. SEXER

Nationwide DSN Report

The recent spate of international terrorism has caused discounters to rethink their overseas travel plans. Some chains have simply decided to cancel trips by merchandisers until the climate cools off a bit. Others are avoiding trouble spots, asking foreign vendors to meet them in nearby, safer locales and issuing safey tips to their people traveling overseas.

But most chains also said it was too soon to begin making any long-term, permanent changes in their buying and sourcing patterns as a result of international tensions.

Rose's has already canceled several European buying trips it had planned over the next few weeks, said John Little, senior vice president, merchandising. But the chain is still sending buyers to other areas of the world it believes are not as affected by the current international tensions.

"We haven't canceled any trips to the Orient because of concern about terrorists," said Little.

T. J. Maxx, the off-price apparel and domestics chain, cancelled trips to Europe and Israel until the intensified tensions cool off.

"The European trip is not a problem. We've been into that market for years, and we have relationships there, so we can conduct business regularly via phone or the mail," said Bernard Cammarata, president.

He added: "The trip to Israel was set up strictly as an exploratory thing. We'll have to hold off on that a bit."

Some chains are avoiding trouble spots by asking sources to meet them in nearby markets. During a recent trip to the Orient, Hills' merchandisers asked manufacturers from the Phillipines to meet them in Hong Kong to avoid making a trip to that country, said Eugene O'Donnell, vice president, general merchandise manager.

Those who continue making buying trips to some of the more troubled spots are taking more precautions.

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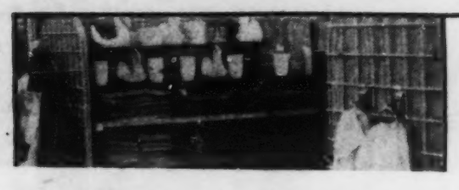

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Investor Eyes Clover Parent Co.

NEW YORK — Financier Ronald Baron's second attempt to gain a voice in the future of Strawbridge & Clothier appears likely to be rebuffed by the company.

At presstime the Philadelphia-based retailer, parent company of Clover, had not officially responded to an SEC filing by a company controlled by Baron, according Linda Marcinek, a spokes-

(Continued on page 38)

Profit Outlook Boosts Rose's Stock by 38%

NEW YORK — Wall Street's confidence that Rose's Stores is positioned for an earnings surge has generated a flurry of activity in the company's stock, which has risen dramatically in the face of several large institutional buys.

Financial analysts discounted reports that the surge indicated that Rose's is a takeover target.

Over a two-week period in mid-April the price of Rose's class A stock jumped $8.50 to $31.00, a gain of nearly 38%, while the company's class B stock, which is nonvoting, rose almost 29%. Both represented 12-month highs.

The market may not be done with Rose's, some analysts believe. Michael Via of Anderson & Strudwick of Richmond, Va., predicted that that company's class A stock could go as high as $40.00 a share.

Via attributes the recent gains in Rose's stock to the interest of institutional investors in Boston and New York who were looking for stocks that had lagged behind the rest of the market recently and might be favorably priced.

Before its surge began Rose's stock was priced at $22.50 against a 52-week low of $17.00, a difference of only $5.50. The stock price of other discounters has grown much more rapidly over the last year.

Zayre's stock, for instance, is now priced more than $35.00 above its 52-week low; Wal-Mart's is $20.00 ahead of its 12-month low; K mart's stock has hovered about $18.00 above its 52-week low; and Ames stock is priced about $17 above its 52-week low.

But Rose's shares are clearly playing catch-up now as the market turns its attention to the Henderson, N.C.-based company. Rose's big gains came in the face of Wall Street projections that the company will earn between $2.40 and $2.50 a share this year. That translates into net earnings of between $24.6 million and $25.6 million. In the recently ended fiscal year the company earned $20.3 million, down from $23.9 million the year before.

(Continued on page 38)

K mart's Dewar Blasts New Tariff Proposals as Burden to Retailers

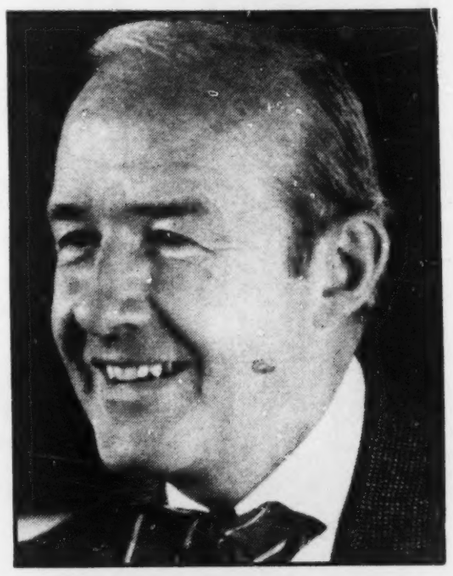
WASHINGTON — Senate proposals to deny corporate tax deductions for all import tariffs and excise taxes would impose a "substantial" tax increase on retailers, Robert E. Dewar, chairman of K mart's executive committee told senate lawmakers.

In noting that K mart imports approximately 15% of store product, Dewar warned the "tax burden" resulting from this proposal's passage would have to be "partially or totally" passed to consumers.

Speaking on behalf of the National Retail Merchants Association in testimony before the Senate Finance Committee late last month, Dewar told committee chairman and tax plan author Bob Packwood (R-Ore.) that the retailing industry—although strong proponents of tax reform efforts—is extremely "disappointed" in the provision that would deny tariff and excise tax deductions.

Retailers are not the only advocates of tax reform legislation who are backing off from support of tariff and excise tax measures.

American Trucking Association president Thomas J. Donohue told the Senate that



Robert E. Dewar, K mart's executive committee chairman spoke before the Senate objecting to proposals to deny corporate tax deductions on import tariffs and excise taxes.

proposals to end deductions for motor fuel excise taxes would boost transportation costs for shippers.

Another opponent of Packwood's tax plan, American Association of Exporters and Importers chairman Peter V. Handal, told tax reform legislators that any general rise in the costs for duty-eligible imports will "plainly" be accompanied by a hike in retail prices for these products, as well as for U.S.-made items.

K mart's Dewar, in testimony endorsed by the Association of General Merchandise Chains, the American Retail Federation and the Retail Industry Trade Action Coalition, focused the committee's attention on a different aspect of the proposal's impact.

"While the nondeductibility of tariffs and excise taxes is being touted as a major revenue raising provision," Dewar said, "enactment of this proposal could reduce corporate income tax revenues."

To the extent that the increased costs from products subject to tariff and excise taxes could not be absorbed by retailers; they would increase the costs of goods sold by business, Dewar said.

"Increasing this cost reduces the net income of business that is subject to the corporate income tax. Therefore, the projected revenues to be raised from this proposal may be substantially less than projected," Dewar cautioned.

The K mart executive also warned lawmakers that retailers who sell a large number of textile and apparel items would be "severely" impacted by passage of this proposal because the tariffs on these types of goods "average 22%," which is "over four times the average" of all other tariffs.

Dewar also argued that the denial of tariff and excise tax deductibility would "widen" the disparity among capital-intensive industries—which are "able to take advantage of certain tax deductions"—and labor-intensive industries—such as retailing—which have "few deductions" available.

T.H. Mandy Names New President

MERRIEFIELD, Va — Thomas M. Unrine has been appointed president and chief executive officer of T. H. Mandy. He reports to James Vadis, senior vice president of the parent company, U.S. Shoe, and president of the retail division.

Before joining T. H. Mandy, Unrine was senior vp and general merchandise manager for women's apparel, intimate apparel and accessories at Gimbels-Midwest in Milwaukee since 1983.

Prior to his association with Gimbels, he was senior vp/gmm at Miami-based Jordan Marsh Company.

Unrine said the transition from Gimbels to T. H. Mandy should be smooth since both companies are fashion and trend oriented. The fundamental difference between the two operations is structural.

At T. H. Mandy planners, buyers and distributors are responsible for outlining, purchasing and replenishing the fashion lines. At Gimbels, the buyer is solely responsible.

Former T. H. Mandy president and ceo Joel Orenstein resigned in October 1985. He is now senior vp, marketing services at Carter, Harley and Hale.

T. H. Mandy currently operates 16 off-price stores. The chain has recently opened two new markets, Potomac Mills, Va., and Algonquin, Ill.

The company also recently closed one of its four Washington stores and all three of its stores in Houston.

QUIZ

The DSN *Quiz, testing your knowledge of news and trends in discount retailing covered in the last two issues, will appear on this page monthly. Check your answers with the key on page 38.*

1. The latest videotex service to withdraw from home computer shopping is:
a) The Electronic Mall;
b) Trintex;
c) Viewtron.

2. Sam Walton was chosen for Financial World *magazine's 1985 Gold Award for:*
a) his leadership in promoting the Buy America program;
b) Wal-Mart's financial performance;
c) best supporting role in a musical.

3. What can't shoppers buy at Virginia-based Dominion Pottery?
a) dinnerware;
b) pickles;
c) blue jeans.

4. K mart's latest effort to build its apparel position doesn't include:
a) a Jaclyn Smith line of dancewear;
b) a test of half sizes for older girls;
c) a membership club for preschool girls.

5. Which is the latest discount store chain to launch a private label credit card?
a) K mart;
b) Target;
c) Bradlees.

6. The Price Club recently purchased a large piece of property and a warehouse in:
a) Secaucus, N.J.;
b) Edison, N.J.;
c) Paramus, N.J.

7. Discounters who attended the housewares show were most interested in:
a) microwave cookware and small electrics;
b) wall clocks and crock pots;
c) tea kettles and wicker.

8. A recent DSN *consumer poll on men's active wear showed:*
a) most of the planned purchases of men's active wear are made by men;
b) white is the preferred color in tennis shirts, shorts and warm-ups;
c) 84% of those polled who don't own athletic shoes were planning to purchase them in the next year.

9. In his column, Jack Hayes said retailers can reduce vendor theft by:
a) hiring former thieves as security guards because they know what to look for;
b) checking each vendor's goods as they are received on the dock;
c) making thorough checks of every vendor and delivery man they deal with.

10. The top-ranked toothpaste in this year's Product Movement Audit was:
a) Crest gel, 6.4 oz.;
b) Aqua Fresh, 6.4 oz.;
c) Colgate pump regular, 4.5 oz.

Trends Set Soft Home Scene

Today's soft home scene is driven by changing fashion trends, a host of new multi-item ensembles like the Dinah Shore kitchen collection (seen above at K mart) and lifestyle influences such as the water bedding boom. For an in-depth look at how the fashion/price equation is being defined at K mart, plus a gauge of shoppers' attitudes gathered in an exclusive consumer poll, see DSN*'s annual domestics/home fashion supplement on page 15.*

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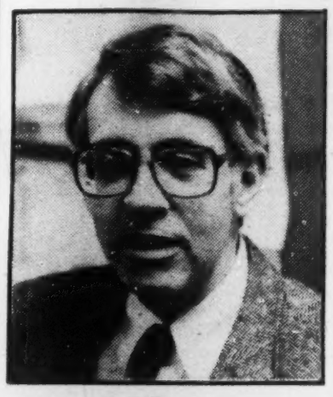
MEMBERSHIP WAREHOUSES

Clubs, Chains Battle Over Key Categories



ARTHUR MARKOWITZ

While membership warehouses position themselves as wholesalers to small businesses, they are also retailers selling goods to customers for their own use. This is especially true in three major categories: housewares and small appliances, consumer electronics and apparel.

In fact, the volume that they generate has made them powerhouse merchants in these three retail categories. However, manufacturers don't see membership warehouses expanding the market for this merchandise. Rather, manufacturers believe they're taking sales from traditional retailers like discounters and catalogers.

Membership warehouse executives acknowledged that in the three categories most of the merchandise wasn't being sold to businesses for resale for two basic reasons.

A major share of the goods in the three categories are sold by chains. These companies are able to purchase tonnage quantities direct and wouldn't gain any from two-step buying from a membership warehouse.

In addition, a chain, or even a mom-and-pop retailer, couldn't obtain the desired broad assortment of goods from a membership warehouse as these stores usually offer a narrow mix in each area, generally a few basic items.

Why, then, do membership warehouses handle these categories? Simply because its good business.

The low price for a VCR, for example, helps to reinforce a warehouse's image of offering members the lowest cost for merchandise in the marketplace.

The availability of goods like jeans, TVs, irons and even major appliances gives business members a personal reason to join a membership warehouse: They can save on goods they need for themselves, not just for their business.

One membership warehouse studied members' purchases and found that less than half of the sales to business members were for business use. An executive listed food, stationery and office supplies, automotive and hardware as true wholesale or business categories.

Facts and Figures on 25 Leading Catalogers

Chain (Hq. State)	Coordinator	Annual Sales (millions) Last Completed Fiscal Year	Annual Sales (millions) Previous Completed Fiscal Year	No. of Showrooms As of January 1986	No. of Showrooms As of December 1986	Projected Openings 1987
Service Merchandise (Tenn.)	Independent	$2,246.5[A]	$1,607.0[A]	287	300	NA
Best Products (Va.)	Independent	2,234.8	2,252.7	213	212	NA
Consumers Distributing (U.S.) (N.J.)	Independent	311.6[B]	261.0[B]	89	90	0
Brendle's (N.C.)	MAI	183.6	146.2	31	35	3
W. Bell (Md.)	Independent	148.2	130.1	21	23	2
Gordon Jewelry (Tex.)	Independent	134.9	138.9	58	61	3
Jewelcor (Pa.)	Jewelcor	131.0	128.3	22	22	0
K's Merchandise (Ill.)	Paul Schultz	115.0	100.0	9	10	1
McDade (Ill.)	MAI	110.0	105.0	7	8	0
L. Luria & Son (Fla.)	Independent	108.6[C]	101.1[C]	37	40	3
David Weis (Pa.)	MAI	85.0	83.0	11	12	0
Sterling Jewelry (Tex.)	Paul Schultz	77.0	75.0	5	4	1
E. H. Tepe (Ind.)	Paul Schultz	52.0	49.0	9	12	1
Dahlkemper's (Pa.)	Paul Schultz	52.0	50.0	7	9	0
Fred Gattas (Tenn.)	MAI	50.0	36.0	8	9	0
Evans (Md.)	MAI	49.0	42.0	6	6	1
O. G. Wilson (Tex.)	Independent	47.0	47.3	14	—[D]	—[D]
Present (N.Y.)	MAI	44.7	35.9	14	17	3
Arthur's (N.J.)	MAI	40.0	38.0	7	8	0
Goldbro (Ala.)	Associated	40.0	39.0	6	7	1
Witmark (Mich.)	MAI	34.0	31.0	7	7	2
Brand Name (N.Y.)	Independent	30.0	30.0	14	14	0
Wilkor (Fla.)	MAI	30.0	27.0	5	5	1
Wilbro (Ala.)	Associated	28.0	28.0	6	6	1
A. J. Foland (Mich.)	American	28.0	25.0	6	7	0

[A]Catalog showroom sales only
[B]Continuing East Coast operations
[C]Seven month fiscal year
[D]Parent Zale has put company up for sale

Source: Annual reports; DSN estimates

Regionals to Fuel Showroom Growth As Industry Seeks Profit Gains

(Continued from page 1)

margin categories like jewelry and less on [mass market categories like] electronics."

W. Bell's senior vice president Frederic Bell added: "Paying attention to your own business is the key. It's a mistake to pattern your chain on another company. What works for others may not work for you."

Bell eschews toys, sporting goods and lawn furniture, for example, because "these categories are incompatible with the fine jewelry we sell," he said.

The growth-oriented regionals range from the $184 million Brendle's, which has 31 stores in North Carolina, South Carolina, Tennessee and Virginia to such $20 million chains as Value House, with six units in New Mexico and Save Rite, with four units in Rhode Island.

The strength of many of these regionals, most of which are privately held, comes despite the industry's consolidation that last year saw Service acquire H. J. Wilson, Ellman and Imperial House while Brendle's purchased Alexander's.

This year, Ardan has left the business and Boardman's has filed Chapter 11 and closed several showrooms. Meanwhile Consumers Distributing (U.S.) plans to sharply cut back its two-coast operation by closing its red ink-plagued, 80-odd California stores to become just a northeast chain.

The shakeout during the past year has had its greatest impact among small, mainly one- and two-showroom operators. About 75 such companies shut down last year.

The end result: The industry consisted of 175 catalogers last year operating approximately 1,300 showrooms that produced $7.4 billion in sales, the same as in the previous year.

The more competitive retail environment that sparked the shakeout also intensified catalogers' interest in strengthening marketing efforts to draw shoppers. This effort has seen many chains ignore the use of the term "catalog showroom" to boost their image as jewelry stores, while increasing the use of flyers, radio, TV and even cable in selective markets.

Raymond Zimmerman, president of Service, which describes itself as "Your Store for . . .," said "I'm not sure 'catalog showroom' is indicative of anything to consumers; it means more to us [manufacturers and retailers] than to shoppers."

Dahlkemper's executive vice president Edward H. Dahlkemper added: "Consumers view catalogers as discounters with name brands. It's not all that different from how they viewed us 10 years ago, except that we're seen as more upscale today."

The new status of the regional chains is evident from the expansion projected for the industry this year; the 36 leading regionals will add about 40 showrooms to the approximately 400 they currently operate.

Service, meanwhile, has cut back its "normal growth of 20 to 25 showrooms," Zimmerman said, "to an undetermined number while we complete absorbing our acquisitions." Best won't open any new showrooms as it concentrates on refurbishing older stores that were part of the acquired Modern Merchandising operation. Executives said these units were in danger of losing their market share.

The regionals' impact on the showroom industry shows up in other ways. Wall Street analysts indicate a number are considering going public.

Brendle's just issued a preliminary prospectus for its first stock offering that could raise between $15,750,000 and $17,850,000 for the company from the sale of just over one million shares. Last year, Present, which was a closely-held public firm, raised $5 million from the sale of 600,000 shares.

Goldbro president Julius Goldstein said a stock offering isn't the route for all regionals. "The only reason to go public would be a big expansion program that we can't fund from our own resources. We control our growth within our market, so we don't need outside financing."

Pamida ESOP Purchase

(Continued from page 1)

in ESOPs, the actual take home per employee voting on the deal could be much higher.

"It's difficult for employees to turn down money like that," said Rosen, although he added that some companies which have been employee-owned for years routinely refuse offers well above the market price of their company.

"It depends on whether there is a real culture of ownership among employees in the company, or if the employee buyout was just a financial deal," said Rosen.

The buyout will not materially affect operations at the 164-store chain, according to Burkstrand, who said that the privately-held company had sales of about $500 million last year. Part of the agreement of the deal is that present management stay on and Pamida continue operating out of its headquarters in Omaha.

Employee ownership has been widely credited with helping to turn Pamida around. Just two years after the 1981 employee buyout, Pamida had already paid off 40% of debt accrued from the purchase. Sales per square foot and other key measures improved significantly as employees participated in company profits. Shrinkage decreased from 2% of sales before the buyout to about 1% within two years of the deal.

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DOMESTICS/HOME FASHION SUPPLEMENT

Shower Curtains, Pot Holders Top Dept. Sellers

NEW YORK — Shower curtains, pot holders and bedspreads were the domestics items consumers most often buy at discount stores according to a recent consumer poll.

Those three items were also typically bought at full price by over half the shoppers who had purchased them in the past year.

Last month close to 500 consumers were surveyed for a special *DSN*/Leo J. Shapiro Associates survey to find out where and how consumers shop for soft home fashions.

Discount stores were named most often by domestics consumers as a source for shower curtains (by 39%) and pot holders (33%).

Consumer responses further indicated a three-way tie for the bedspread business between mass merchandisers Sears, Ward and Penney (28%),discounters (26%) and department stores (26%).

At the same time it is important to note that shoppers tend to buy domestics at several stores. In each of seven domestics categories, at least 48% of past-year shoppers said they typically buy those items at more than one store.

About half of those who had purchased bath towels, sheets, placemats and shower curtains in the past year said that they usually shop at more than one store for those goods. Some 60% or more of those who had purchased bedspreads, comforters and pot holders said that they buy at more than one store.

The statistics on where people shop are most illuminating in relation to how they shop for specific items. Among other things, shoppers polled were asked if they had purchsed each of seven home textile items in the past 12 months. They were asked if they usually buy that item on sale or at full price. They were also questioned on whether or not they usually make a separate trip to buy the item.

As expected, sheets were the most often purchased items, followed closely by bath towels and shower curtains. Some 24% of those polled had purchased sheets; 22% had bought bath towels, and 21% had purchased shower curtains in the past year.

Pot holders were bought by 11% of those surveyed; bedspreads by 10%; comforters by 9%, and placemats by 8%.

For sheets, department stores were the most popular source with 31% of the past-year consumers naming that type of store. Discount stores were named by 21% and mass merchandisers by 20%.

In bath towels, the three mass chains Sears, Ward and Penney together won the most citations (by 39%) as the place to buy. In a chain breakout, Penney was named by 17% of those who bought a bath towel in the past year. Sears was named by 15% and Ward by 2%.

Department stores were named for towels by 23% and discounters by 17%.

For comforters, which were overwhelmingly bought on a special trip at full price, department stores were again the most popular type of outlet. Discounters were second and mass merchandisers third.

Placemats were likewise bought at full price in most cases. However, that item is seen as more of a pick-up, with almost 60% of the purchasers buying on a general shopping trip instead of making a special trip.

A breakout of national chains K mart and Sears revealed differences in how consumers viewed the two outlets.

K mart's strongest showing was for pot holders where 16% named the discounter. That was also the item for which Sears got its fewest mentions (4%).

In shower curtains, the two chains were tied with both named by 11% of the past-year purchasers.

K mart's popularity in sheets and bath towels with 7% of the consumers of each item was half that of Sears. In sheets 14% named Sears and in towels 15% named Sears.

In bedspreads and comforters K mart's position as a source was lowest. None of the past year shoppers mentioned the national discounter as a place to buy comforters and only 2% cited it as a source for bedspreads.

Sears, on the other hand, received its strongest mentions for bedspreads (19%). For comforters 8% of the consumers of the item listed Sears.

For placemats, K mart was named by 4% of the past-year purchasers and Sears by 6%.

Shopping Patterns of Domestics Customers

Pattern	Sheet	Bath Towel	Shower Curtain	Pot Holder	Bedspread	Comforter	Placemat
Usually buy . . .							
During trip out	39%	50%	35%	83%	31%	32%	57%
Make a special trip	57	42	61	12	67	67	40
Not answering	4	8	4	5	2	1	3
Usually pay . . .							
Sale price	50	54	44	45	42	37	39
Full price	44	41	55	52	58	60	61
Not answering	6	5	1	3	—	3	—
Mainly buy at:							
One store	36	38	38	23	26	34	34
Number of stores	48	48	53	64	60	61	50
Not answering	16	14	9	13	14	5	16

Source: DSN/Leo J. Shapiro & Associates survey

Where Shoppers Are Most Likely to Purchase Domestics Items

Type of Store	Sheets	Bath Towel	Shower Curtain	Pot Holder	Bed-spread	Comforter	Placemat
Discounters	21%	17%	39%	33%	26%	17%	14%
Department Store	31	23	24	11	26	39	25
Sears/ Penney/Ward	20	39	14	18	28	10	18
Specialty Store	7	6	5	2	12	8	7
Other	17	13	10	34	12	23	28
Not Answering	13	14	13	24	6	16	20

Percentages are based on the total number of shoppers who purchased each item in the past year. Figures don't equal 100% because most people shop at more than one store.

Source: DSN/Leo J. Shapiro & Associates survey

Domestics Poll Reveals Consumers Look for Price, Quality

NEW YORK — Shoppers polled about domestics by *Discount Store News* were asked to list the features, besides price, they look for in domestics items.

As expected, quality was generally the most important feature after price in the minds of consumers; color was the second most often mentioned.

Consumers' answers to this question also revealed how shoppers define quality for specific items. For example, thickness was the most frequently mentioned feature for pot holders. Obviously, that is how consumers define the quality of that item. Furthermore, brand name was low in the top eight features in the sheet category with only 7% of the past-year purchasers mentioning that attribute.

Although fabric was mentioned in general terms for most items, cotton specifically only showed up in regard to towels as one of the top eight features. In towels, thickness aand absorbancy were typically how shoppers interpret quality. Correct size showed up as a feature in bath towels, sheets and even pot holders.

In shopping for shower curtains, consumers polled ranked quality and color equally. That is underscored by the equal number of mentions for durability and style/design. Notably, price seems to be very important in this category. Even though shoppers were specifically asked to name features besides price; a few named price anyway as something they look for when making a purchase.

The importance of fashion to consumers is indicated by their choosing to cite style/design and matching sets as well as color.

Fashion seems to rule the placemat business, not included in the accompanying chart. For that item a third of the consumers named color and about 29% said quality. Style/design was listed by 20% of those who had bought a placemat in the past year. In that category matching sets were a feature that 16% of the consumers reported looking for. Fabric was listed by 7%. Durability was also cited by 7% as a feature.

What Shoppers Look for . . . Besides Price

Sheets		Bath Towels		Shower Curtains	
1. Quality	42%	1. Quality	42%	1. Color	36%
2. Color	14	2. Color	22	2. Quality	36
3. Style/Design	10	3. Thickness	20	3. Durability	10
4. Brand Name	7	4. Correct size	11	4. Style/Design	10
5. Material	7	5. Absorbancy	6	5. Matching sets	5
6. Durability	5	6. Cotton	5	6. Price	4
7. Matching sets	5	7. Durability	5	7. Material	3
8. Correct size	4	8. Material	5	8. Thickness	3

Pot Holders		Bedspreads		Comforters	
1. Thickness	27%	1. Quality	51%	1. Quality	57%
2. Color	19	2. Color	20	2. Color	23
3. Quality	19	3. Price	9	3. Durability	11
4. Good protection	7	4. Style/Design	8	4. Warmth	11
5. Material	7	5. Matching sets	8	5. Material	9
6. Matching sets	6	6. Material	6	6. Style/Design	6
7. Style/Design	5	7. Thickness	4	7. Price	2
8. Correct size	4	8. Durability	2	8. Other	11

Source: DSN/Leo J. Shapiro & Associates survey

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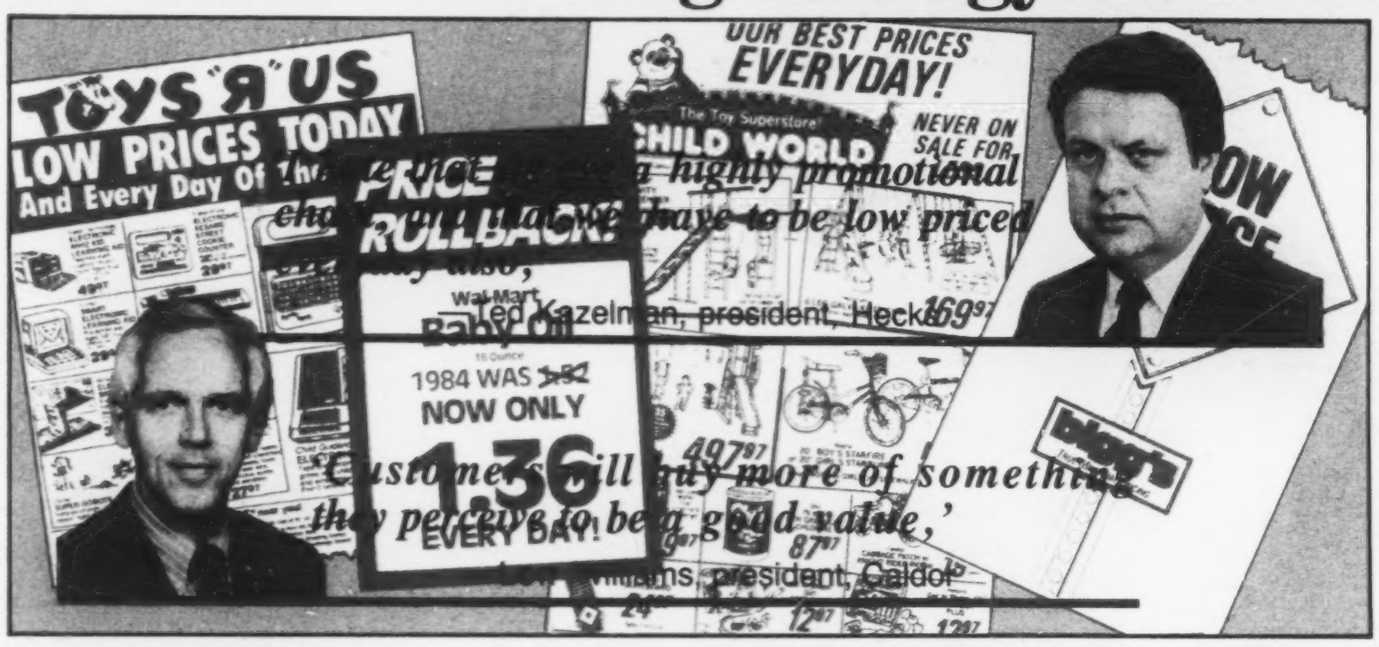
Everyday Low Prices: Winning Strategy or Net Profit Drain?

By KAREN PAXTON
Nationwide DSN Report

Everyday low pricing 1980's style may prove to be a suicidal strategy for discount chains who are vowing to routinely match their competitors' pricing on hundreds of branded commodity items—without slackening the flow of weekly promotional circulars their shoppers have come to expect.

Even discount chains who in the past said they were "too promotional" today are touting their new everyday low pricing (EDLP) programs as a winning defense in a dangerously overstored universe.

The less-discussed aspect is that these pervading strategies threaten to squeeze margins even further than before and push chains closer to the edge of unprofitability.



"I hate that we are a highly promotional chain and that we also have to be low priced everyday," said Ted Kazelman, president of Hecks.

"We've keyed in on the high profile items. If you're not low on these items, the consumer could walk away thinking the whole store is overpriced. For us it's a short list of [about 50] items. But if we had hundreds, we just couldn't afford it."

The long-term effect of such policies, Kazelman said, is "more pressure on profits." And ultimately could mean, "more consolidations of chains."

In the past, discounters viewed EDLP and weekly promotions as two mutually exclusive strategies. But since last year, chains, including Target, Gemco, Gold Circle, Caldor, Bradlees, Venture and Hecks have been combining the two to create a stronger "value image" which they say builds market share.

"What we're doing now is a combination of the two strategies," said Peter Hayes, chairman and chief executive officer of Gold Circle.

"We want to be sure the customers feel comfortable that they will always get the basics

(Continued on page 15)

Recent Acquisitions Hamper Dollar General Performance

SCOTTSVILLE, KY. — The task of assimilating several hundred recently acquired stores has produced a rare occurrence at Dollar General, a chain generally seen as one of the most productive and efficient in discounting.

For the first quarter of the current fiscal year Dollar General lost money—$1.7 million—after earning $1.3 million in the same quarter the previous year. The loss, moreover, comes after a decline in earnings in the fourth quarter and predictions that the chain's performance will suffer over the short term from what executives call two years of "acquisition management."

The temporary decline in Dollar General's fortunes has surprised some industry observers who noted that the chain seemed to assimilate the 280 P. N. Hirsch stores it acquired in 1983 without breaking stride.

Most analysts assumed that the chain would be equally adept at folding into its operations the 206 Eagle stores it acquired in Florida early last year. But those stores have proven very different from the type of store that Dollar

(Continued on page 242)

Metzenbaum: Discounters Need Bigger Impact on Hill

By KEN RANKIN

For the past five years Reagan Administration antitrust officials have been working to relax the legal restrictions against Fair Trade-style resale price maintenance activities and other anti-competitive activities aimed at the nation's discount retailers.

During that period a handful of Congressmen and Senators opposed to these pro-RPM policies have been maneuvering to block those FTC/Justice efforts in order to preserve price competition at the retail level.

Senator Metzenbaum

One of the most outspoken of these Capitol Hill critics of the Administration's antitrust policies is Senator Howard Metzenbaum (D-Ohio), a member of the Senate Judiciary Committee and the leading Congressional opponent of Justice Department-supported "antitrust reform" legislation which would shield resale price fixing manufacturers from treble damage court penalties.

Instead, Metzenbaum has introduced an antitrust counter-proposal of his own which would stiffen the penalties facing firms found guilty of RPM violations and other anticompetitive practices.

Discount Store News met with Metzenbaum recently in his Senate office for a free-wheeling interview on the Administration's controversial "treble damage" bill, his own legislative efforts to preserve competition at the retail level and his surprisingly candid perceptions of what he called the discount store industry's "embarrassing" lack of commitment.

DSN: You are perhaps the most outspoken opponent of the Reagan Administration's plan to reduce Federal antitrust penalties and re-

(Continued on page 241)

1986 Expansion: Target Will Add 2 Million Sq. Ft.

MINNEAPOLIS — Target will devote most of its 1986 store expansion to filling in existing markets, particularly in the Southwest and West Coast.

⊙ TARGET

The Dayton Hudson chain, which currently operates 226 stores, will open 21 Target's in fiscal 1986. That will represent more than two million sq. ft. of new retail space. Target already operates about 22.4 million sq. ft. of space.

The biggest concentration of new Target stores will come in Los Angeles, where Target already operates 25 stores. Target plans to open five more units this year in that market.

Although Zodys recently closed 29 stores in Los Angeles, none of Target's new locations are former Zodys stores. Instead, the chain is opening all new stores in Los Angeles.

Target also plans to open three new stores in Dallas/Fort Worth, where it current-

(Continued on page 15)

Service Merchandise Denies Mr. HOW Sale

NASHVILLE — Top management at Service Merchandise has denied published reports that the cataloger is planning to sell off the major portion of its troubled 27-unit Mr. HOW warehouse home center chain.

Raymond Zimmerman, chairman and president, termed false the reports which said he told shareholders at the firm's annual meeting that Service would sell all the Mr. HOW stores except for the seven units in Florida.

Responding to a source's contention that Service would issue a statement about Mr. HOW's future sometime in May, Zimmerman said: "When we have an announcement to make on Mr. HOW, we will make it."

Trade sources have long expected Service to sell its warehouse home centers to stem that division's losses which were partially responsible for the cataloger's net income plunging almost 76% last year, to $10,733,000, from $44,576,000 the year before.

Service's difficulties have continued unabated through the first quarter of this year, ended March 31. With that report, the bottom line showed a net loss of $29,246,000, compared to a net loss of $3,853,000 last year.

(Continued on page 242)

Largest NMRI Convention Issue Ever

Cable TV Discounter Adds Soft Goods, Goes Public

CLEARWATER, Fla. — The Home Shopping Network (HSN) will become a full-line discount electronic retailer next month when apparel and soft goods are added to the hard goods mix merchandised by the company.

The expanded merchandising move comes as HSN was set to become a public company, at presstime, through the offering of 1,740,000 shares at a projected price range of $16 to $18 a share. That would raise between $27.8 million and $31.3 million.

The company's founders and top executives, chairman Roy M. Speer and president Lowell W. Paxson, together are selling another 260,000 shares.

Demand for the stock, which one Wall Street source said was running at the rate of about 50 requests for each available share, resulted in the company increasing its preliminary offering. Originally the company offered just over 1 million shares from between $14 and $16 a share.

The company's success as the first national cable TV discount shopping service has already spawned a similar operation. Tele-Communications Inc. (TCI), the nation's largest multiple (cable TV) system operator (MSO), and closeout retailer C.O.M.B. launched a 50-50 joint venture.

(Continued on page 4)

Despite Steep First Quarter Loss, Hecks Anticipates Profit for Year

NITRO, W. Va. — Despite a loss of more than $4.3 million in the first quarter, Heck's executives are predicting that the chain will show a profit this year.

The chain, which recently announced it is closing 12 poorly performing stores, lost about $2.7 million more in the quarter than it did in the first quarter of last year. Sales for the quarter increased 26% to $120 million.

The 35 Maloney stores, acquired in August, represented more than $14 million of the chain's first quarter sales. Without those sales, Heck's revenues would have been up about 11.5% for the quarter.

According to Heck's treasurer, Robert A. Petryszak, pretax losses from continuing operations in the first quarter were actually about the same as pretax losses in the same period the year before.

The 1984 quarter, however, benefitted from a $2.5 million pretax gain, while the first quarter of this year included a $250,000 charge against earnings for the closing of one store. Heck's also took about a $1 million loss in the first quarter at the Maloney stores, which were not part of Heck's in the first quarter of 1984.

In the second quarter, Heck's expects to make money from continuing operations but to post a net loss because of charges against the closing of 12 stores. The company will take about a $3.8 million charge to shutter 12 stores which collectively lost about $2.5 million last year.

Heck's recently announced it was reducing quarterly dividend payouts from 7¢ a share to 1¢ a share in order to maintain a "liquid cash position."

Several financial analysts said that despite the high loss in the quarter, they believed Heck's could begin turning a profit again soon.

"They got the Maloney's stores at a very good price and those units should soon begin to bear fruit for them," said Edwin Underwood, analyst at Scott & Stringfellow in Richmond, Va.

Heck's itself is projecting that for the full-year it will be profitable, said Petryszak.

Targets New Orleans, Dallas

Wal-Mart Will Add Several dot Units

BENTONVILLE, Ark. — Wal-Mart continues to cautiously test the deep-discount drug waters.

A fourth dot drug store is scheduled to open this month in the Kansas City market, with another six to eight planned openings in New Orleans, Austin, Tex., Dallas, Des Moines and St. Louis, according to David Glass, president.

The trial positioning of a dot drug store beside a Sam's Wholesale Club in one of those markets, as reported earlier this year, is still planned.

Glass added that the greater Kansas City market could support up to 30 deep-discount drug stores, and that it is possible he will open another few dot stores in that area sometime in the future.

"We're still learning as much as we can," said Glass about the dot concept.

The learning process has resulted in two merchandising changes. First, dot stores will have more inventory per sq. ft. to accommodate the high store volume. Second, dot will case-cut some merchandise instead of shelving, said Glass, because it would give the merchandise "a more promotional look."

Glass said he continues to take a wait-and-see approach with dot.

"If we fell in love with it, we could accelerate the program," he said, "We're not at that point yet."

To fall in love, dot would have to prove it can offer a return on investment on par with Wal-Mart's other divisions, have strong sales and show that it can withstand competition, said Glass.

(Continued on page 242)

REPORTER'S NOTEBOOK

Giving More Credit to Retail Cards

By KAREN PAXTON

Makro wholesale warehouse club and Bradlees discount stores are two different kinds of retailers with one thing in common this year: new private label credit cards.

Both are rolling out their own credit cards for one big reason: The added volume they've found a card brings.

As a rule membership warehouse clubs don't accept any credit cards as part of their low-overhead cash and carry orientation.

Makro chairman Joe Nusim, however, explained that Makro, a division of a European operator of hypermarkets, is different from other warehouse clubs in several ways.

" We are not like the Price Club," Nusim said." I consider the others—BJ 's, Costco and PACE—copies of the Price Club which is the original warehouse club format in the United States."

He points to a larger selection of frozen foods, meats and cheeses as one difference between Makro and the others. The units also have carpeted fashion apparel sections and jewelry (including diamonds) assortments which differentiate them from American owned membership clubs.

"We have four to five times as much merchandise as the others," he said, adding that the normal requirement for the Price Club is 40,000 skus.

" Another thing we do differently is carry continuous programs so that a shopper can return and find the same item and lines in categories like men's hose, televisions, stereos and domestics," Nusim said.

Nusim seems to be leaning more heavily on his background in discounting than on the European roots of Makro in adding credit cards to the unique format of Makro.

Makro started experimenting with credit cards last October. The club in Atlanta accepts Visa and Master Card. Makro instituted its own credit card in Cincinnati.

The idea has increased sales already and "has more than paid for the program price, " Nusin said.

By the end of this year all four Makro warehouses in Philadelphia, Maryland, Cincinnati and Atlanta will be offering its members the private label credit card and also accepting Visa, MasterCard and perhaps another third-party card, Nusim said.

Bradlees got its first taste of the private label credit card when it took over 18 former Jefferson Ward stores in the Philadelphia market.

In May the chain instituted its own card in all 22 Bradlees stores in that market. In July customers in New Jersey will be offered the card and by year end customers in all five stores in the Richmond, Va., market will be offered the card.

A holder of a Bradlees card can use it in any Bradlees store in the country right now, according to C. Robert Peacock, senior vice president of finance management and administration at Bradlees.

The chain will offer the card in the rest of its stores next year if it provides the expected added volume, Peacock added.

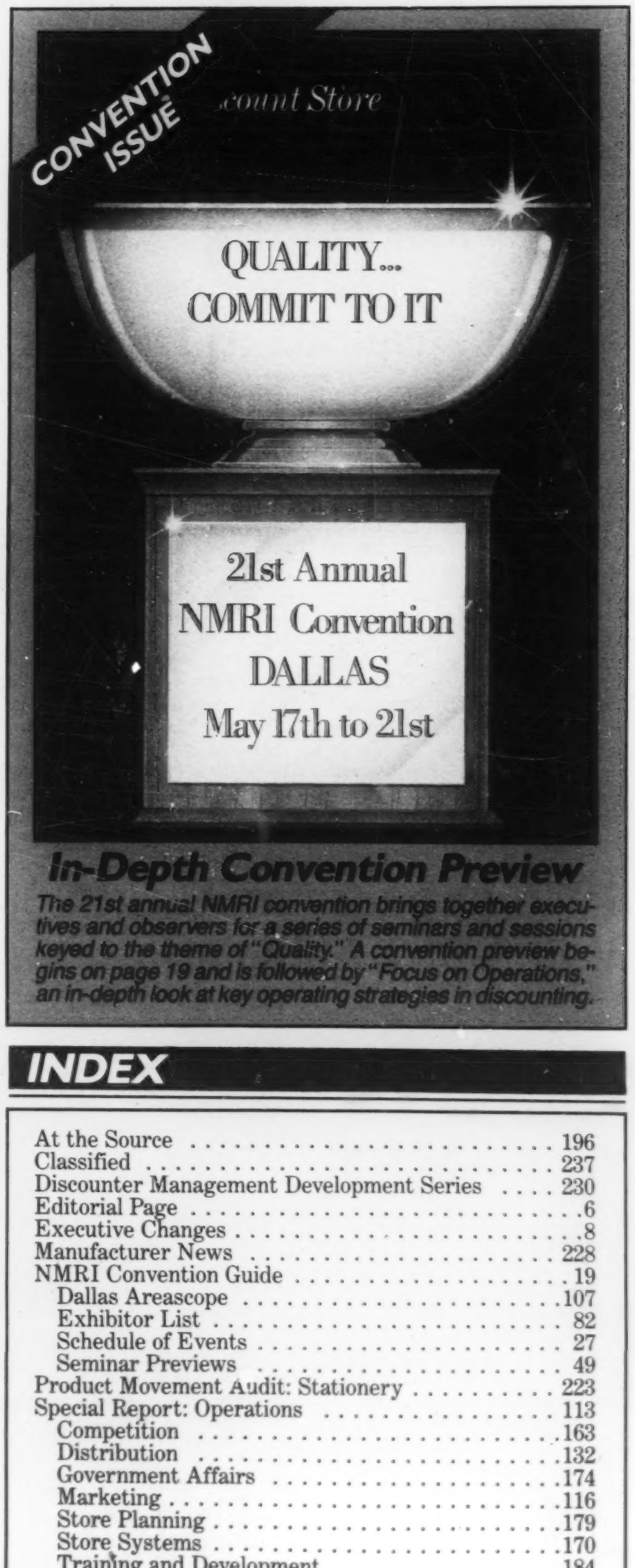
"We think we can do better than we were doing with the Jefferson Ward card," Peacock said, adding that the Jefferson Ward credit card business was not bad considering that the chain stopped issuing cards last July.

Going forward, Bradlees is also looking at adding the Discover card to the third-party cards it accepts.

While Makro can easily target its members for a store credit card, Bradlees is using lists of bank card holders as a base for mail and telephone solicitation, Peacock said.

The in-store kick-off will include special kiosks to showcase the credit card service.

By next year Bradlees will begin to promote specials directly to the customers who have the credit card, Peacock added.



In-Depth Convention Preview

The 21st annual NMRI convention brings together executives and observers for a series of seminars and sessions keyed to the theme of "Quality." A convention preview begins on page 19 and is followed by "Focus on Operations," an in-depth look at key operating strategies in discounting.

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Wal-Mart, Target Pace Discounters with Strong Same-Store Sales

Nationwide DSN Report

Without the benefit of an Easter selling season, discount store and catalog showroom sales in April were basically flat. But several chains, including Wal-Mart, were able to significantly expand their sales base in the month.

Bernard Fauber, K mart chairman, said the company's 2.8% sales increase to $1.8 billion for April is in line with eariler projections. April sales last year benefitted from the Easter selling season.

For the first quarter K mart sales were ahead 4.6%, which prompted Fauber to say that "customers continue to respond favorably to merchandising changes throughout the country."

Ames' sales, up 90.3% to $132.1 million for the month, and ahead 95.2% to $370.8 million for the quarter, benefitted from the inclusion of results from G. C. Murphy, acquired last year.

Romas Butrimas, vice president, finance, said that while G. C. Murphy sales results were on plan, same store sales were under expectation at 0.4% for the month of April and 0.2% for the first quarter.

Ames' earnings, although not released at presstime, reached company expectations, said Butrimas. As Ames reinventories G. C. Murphy's merchandise assortment, the sales and earnings figures should improve, said Butrimas, with these changes being realized during the latter half of the second quarter.

Although Zayre sales were up 31.0% to $369.5 million for the month and up 31.4% to $1.1 billion for the quarter, company president Maurice Segall said that earnings could be flat for the period.

Segall said he expects Zayre will compensate for weak first quarter net earnings during the year.

Wal-Mart's same store sales drove ahead 13% for April and 17% for the first quarter.

Target built a 9% April gain on top of a 23% boost in business during the same month last year.

First Quarter Sales Gains Modest

Chain	April Sales (in millions)	% Increase	1st Qtr. Sales (in millions)	% Increase
Ames[A]	$ 132.1	90.3%	$ 370.8	95.2%
Best Products	142.7	– 0.8	442.8	0.8
Gold Circle[B]	70.1	1.1	209.9	—
Heck's	45.4	24.0	N.A.	N.A.
Jamesway	43.4	13.0	118.5	15.0
K mart	1,779.3	2.8	5,211.6	4.6
Mars Stores	9.0	19.9	26.7	25.5
Pic 'N' Save	N.A.	N.A.	53.9	13.0
Roses Stores	89.3	13.9	255.3	18.8
Toys "R" Us	N.A.	N.A.	368.3	12.9
Venture	76.6	14.2	228.8	9.7
Wal-Mart	874.0	39.0	2,344.0	42.0
Zayre[C]	369.5	31.0	1,093.2	31.4

[A]Includes sales of G. C. Murphy, acquired last year: $56.3 million for April, $165.3 for the first quarter.
[B]Excludes sales of Pittsburgh stores closed Jan. 26, 1986.
[C]Home Club sales are included in 1986 and 1985; B J's Wholesale Club sales are included in 1986 only.
Source: *DSN* survey

TV Discounter Adds Soft Goods

(Continued from page 2)

Cable Value Network (CVN), earlier this month.

Steven Cunningham, director of CVN, said the service had $250,000 in sales in its first month of operation, drawing goods just from C.O.M.B.'s inventory. He said CVN , which is now in its "testing stage," is seen on the TCI network, which has about four million subscribers and by owners of a satellite dish.

HSN's launch of its national operation in July 1985 after almost three years as a cable TV program in the Tampa Bay, Fla., market was the key to the strong interest in its stock.

The preliminary prospectus reported that sales in the six months ended Feb. 28 were $63,861,838, compared to just $8,285,910 in the same period last year when HSN operated mostly on the Florida west coast. Net earnings for the half year were $6,838,750, or 10.7% of sales, compared to $125,004 or 1.5% of sales last year.

The company's gross margin was relatively stable during the two periods, going to 40.2% in the six months ended February, 1986. That compared to gross margin of 39.0% in the same period last year. But the markedly higher sales in the recent six months helped to sharply reduce selling, general and administrative expenses as a percentage of sales to 20.6% from 36.7%.

The company's growth increased inventories in the half year over 1,000% to $5,403,429 from $426,546.

HSN's national expansion has boosted reach of its original network, HSN 1, called 'America's Biggest Bargain,' to about six million cable TV households as of February, 1986. About another two million have been added since then through agreements with two major MSOs, Warner Amex and United Artists Cable, the sixth and twelfth largest. HSN has agreements with half of the top 30 MSOs.

Earlier this year, HSN launched HSN 2, 'Innovations in Living,' which reaches about two million cable TV households.

HSN 1 features mainly closeouts, overruns and liquidation merchandise which are purchased from such sources as manufacturers, retailers, importers, barter agents and finders.

HSN 2 featured new items, primarily high-tech and trend goods, which are bought from the current stock of name brand producers.

Merchandise on both networks is sold by on-the-air hosts, who describe the goods and talk to cable TV viewers who call in with questions and comments. The two networks broadcast 24 hours a day, although not every subscribing cable system airs them all of the time.

Merchandise is delivered via United Parcel Service.

Consumers with satellite dishes also receive the two networks.

The company has hired Barry Horowitz as director of merchandising for apparel and soft goods to head up the move into clothing and domestics. Horowitz, who has worked for a number of apparel retailers and manufacturers, will purchase overrun and closeout soft goods for HSN 1 and develop a private label fashion line for HSN 2.

Service Merchandise's award-winning advertising campaign stressed brand-name apparel. The above 30 second spot focused on women's brand-name sweaters.

Service TV Campaign Cited for Excellence

SAN DIEGO — A Service Merchandise advertising campaign for the company's newly acquired H. J. Wilson stores has been cited by the Television Advertising Bureau and the National Retail Merchants Association.

The campaign was one of 11 first place winners announced at the Annual Retail Television Awards Banquet held in conjunction with the NRMA's Sales Promotion/Marketing Conference.

The focus of the campaign was 14 stores with apparel departments that Service acquired in its purchase of the H. J. Wilson chain.

Primarily a hard goods merchandiser, Service developed a campaign for the apparel departments using both print and television media.

The campaign revolved around four-color newspaper inserts which ran four or five times a season in the 11 southeastern markets where the 14 stores with apparel department are located. Backing up those inserts were a series of eight institutional television ads which accounted for about one-third of the ad budget.

The eight commericals, developed by Service's in-house agency, Stanard Advertising, and produced by Thom II Productions in Nashville, cost only $75,000 to produce.

Described as slice-of-life spots, the commericals featured women's sweaters, men's furnishings and other classifications under the theme: Service Merchandise, Your Fashion Store.

In the commerical focusing on women's sweaters, for instance, two women are seen talking in a restaurant.

"So I guess you think I'm totally out of control, huh?" one woman asks. The second assumes she is talking about a budding romance, but in fact the woman is describing her compulsion to buy sweaters at Service Merchandise stores.

"First quality, brand-name fashion, at 20% to 50% savings. Today and everyday. Service Merchandise, your fashion store," a voice-over says as the two women continue their discussion.

Marshalls Throws Bash to Celebrate Anniversary

Marshalls celebrated its 30-year anniversary with over 1,500 guests at New York's new Marriot Marquis in Times Square. A fashion show put together for the event began with 1950's style poodle skirts and covered family apparel fashions from the '50's through the '80's.

AREASCOPE

Spot Television Advertising in Dallas

	1981		1983		1985	
	Dallas	All Markets	Dallas	All Markets	Dallas	All Markets
Discounters						
Wal-Mart	$1.3 million	$ 7.3 million	$1.5 million	$ 8.1 million	$1.7 million	$16.1 million
K mart	1.4 million	22.3 million	291,800	9.1 million	1.1 million	17.2 million
Target	542,500	6.3 million	1.3 million	10.7 million	312,900	11.8 million
General Merchandisers						
Sears	50,000	9.2 million	124,400	17.3 million	697,800	22.4 million
J. C. Penney	139,700	10.3 million	217,300	12.5 million	171,900	14.2 million
Department Stores						
Sanger Harris	1.1 million	1.1 million	1.3 million	1.5 million	799,900	912,900
Joske's	749,500	1.2 million	343,500	343,500	232,700	837,100

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data.

K mart, Wal-Mart, Target

Chains Spend More On Dallas Television

DALLAS — Discounters like Wal-Mart, K mart, and Target spent substantially more on spot television advertising in the Dallas market last year than their general merchandise and department store competitors.

The three top chains have also adhered closely to their market-wide pattern in print promotion, with K mart and Target committed to preprints on hardware, lawn and garden, domestics, apparel and consumables, and Wal-Mart relying on ROP ads in small regional newspapers outside the core of the Dallas market.

According to the Television Bureau of Advertising, Wal-Mart increased its spot television advertising in Dallas by 31% between 1981 and last year. In the total market spot of television promotion, the increase was more marked, at 120%. K mart's spending for the same period in Dallas actually declined, while national spot television ad spending rose 22.8%.

Target spent 42% more for spot TV in its Dallas markets last year than it did in 1981, and the total increase in spending for all its markets was 87% for the same reporting period.

Sears had a massive increase in television promotion in Dallas, spending $50,000 in 1981 and $697,800 last year. Nationally, Sears increased spending for spot advertising 143% to $22.4 million.

By comparison Penney was relatively stable in its television advertising pattern, spending just $171,900, or 23% more in 1985 than it did in 1981. Nationally, Penney increased spot television advertising spending 38%.

The two department stores that were sampled, Sanger Harris and Joske's, actually spent less last year than in 1981.

Sampling of Circulars

A sampling of print circulars from the Dallas market for the last week in April shows that K mart emphasized "Hot Prices" on products that included Dutch Boy paint, $7.97 a gallon; Murray (Made in U. S. A.) 24-in. bicycles at $118, a 5½-in. Black and Decker circular saw for $19, and $13 Puma sneakers for women.

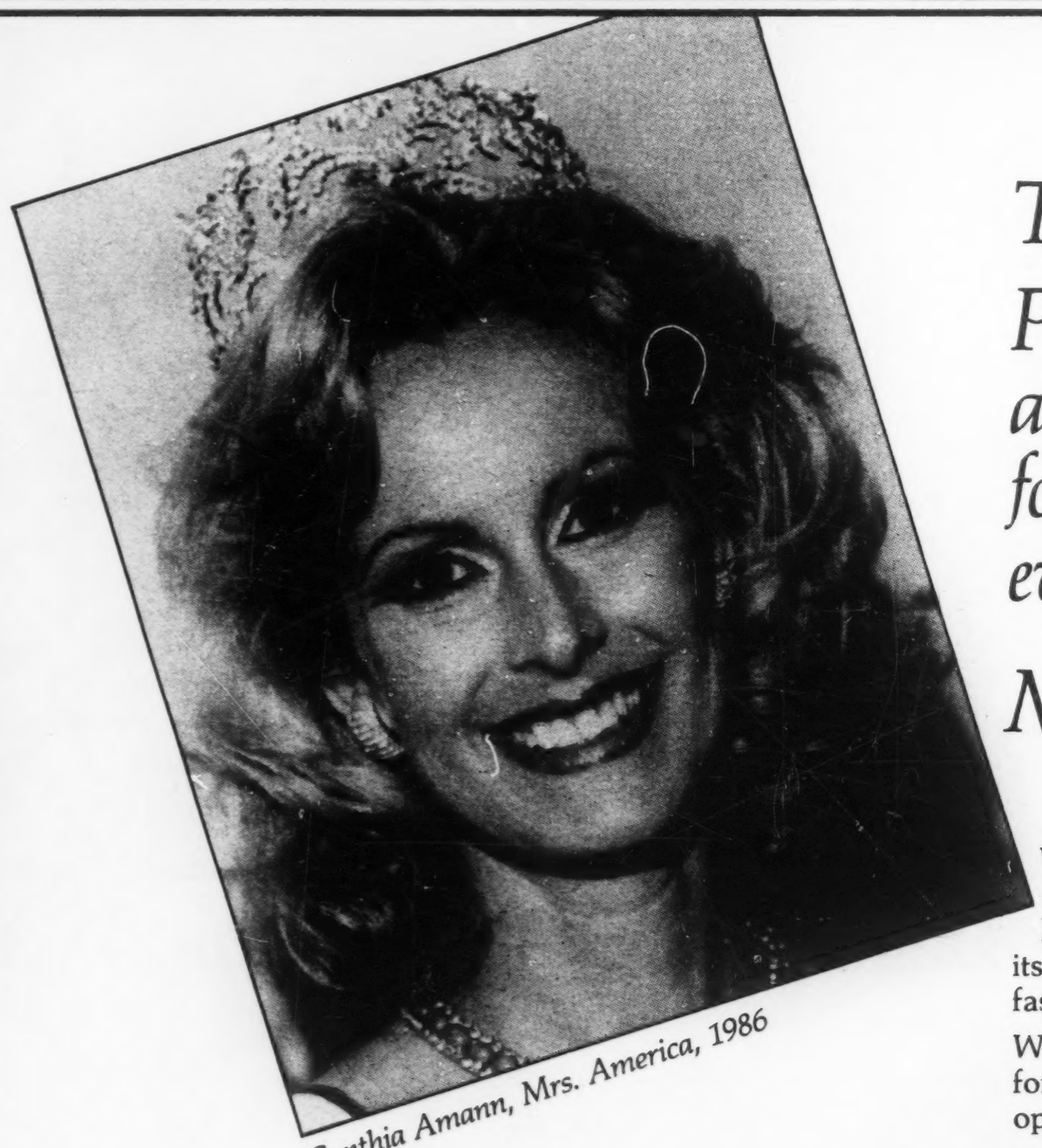
Target emphasized price and selection with a white sale offering $5.99 sheets, $4.49 bath towels by Lady Pepperell, a $99.99 Emerson 42-cu.-ft. microwave oven, as well as 30% off all "summer whites" for men, women, boys and girls.

Target is also promoting its Maganavox compact disk as well as offering a 50% price cut on wallpaper.

Sears, not surprisingly, emphasized its lawn and garden, tire and auto, consumer electronics and appliances, but almost half of a recent preprint was dedicated to apparel for the whole family.

Montgomery Ward focused on half price sleepers and La-Z-Boy recliners and then reverted to the same promotional merchandise mix as Sears and Penney. Ward's circulars reflected its move to a more specialty store orientation with better quality stock and more extensive use of color photography.

READ CLASSIFIED ADS



Cynthia Amann, Mrs. America, 1986

This month, Pakula offers you a surprise for your special events:

Mrs. America.

When Mrs. America was crowned last month, Pakula once again flashed its elegance as the official fashion jewelry of the pageant.

What has become a yearly honor for Pakula can become a year-long opportunity for you.

Beginning this month, Pakula can contract with Mrs. America for special appearances for you.* At store openings. During special events or sales. Whatever celebration you want to turn into a genuine traffic-builder.

Celebrity sales-stimulation. Another exclusive feature in a comprehensive marketing program created with your needs in mind.

Pakula & co.

166 The Apparel Center/Chicago, IL 60654/1-800-4 PAKULA

Every time you turn around, there's something new from Pakula.

*Depending on prior commitments and availability. For special fees, call Pakula at number listed.

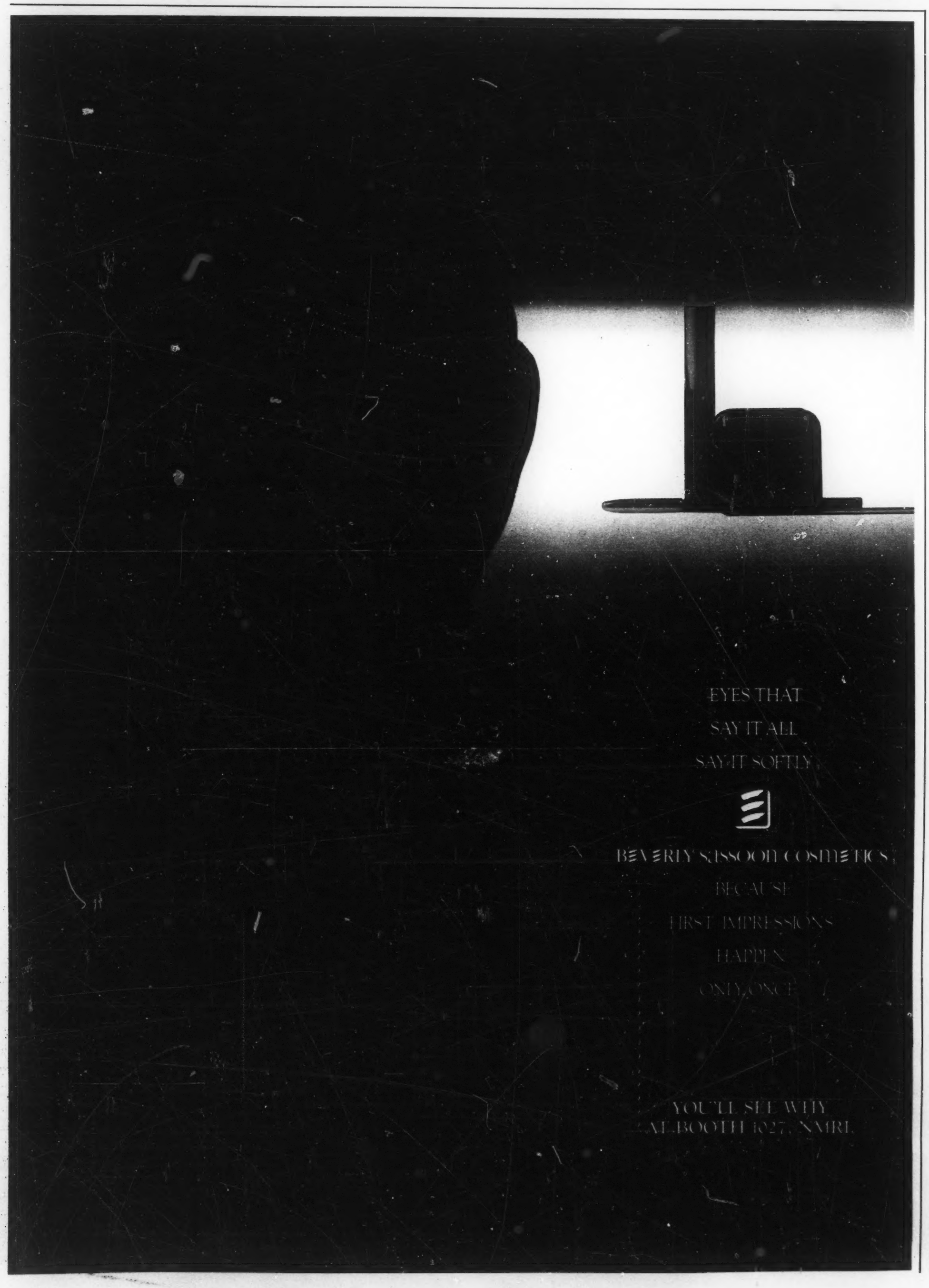
Leading Discounter and Cataloger Spot TV Advertisers

Company	1985	1984	% Change	Company	1985	1984	% Change
1. K mart*	$17,184,700	$12,906,200	33	9. Gemco	$4,036,900	$5,472,800	(26)
2. Wal-Mart	16,076,700	11,839,800	36	10. Venture	3,444,000	3,529,700	(2)
3. Target	11,843,000	12,731,600	(7)	11. Rose's	3,198,100	2,822,300	13
4. Hills	10,234,800	5,922,100	73	12. Bradlees	3,177,700	2,474,300	28
5. Service Merchandise	8,325,400	4,713,100	77	13. Meijer's	2,180,000	1,834,100	19
6. Zayre	8,234,100	7,429,200	11	14. Gordon Jewelers	2,151,900	1,359,200	58
7. Fred Meyer	4,529,000	3,361,800	35	15. Fortunoff	2,039,700	2,545,500	(20)
8. Caldor	4,266,600	52,500	8,100	16. Best Products	1,923,300	2,190,100	(12)

*Spot advertising only. K mart also spent $16.2 million in 1985 on national television. Co-op advertising not included in figures.

( ) Denotes decline

Source: Television Bureau of Advertising



K mart Tops Spot '85 TV Ad Spending

NEW YORK — New television advertising programs at Caldor and Service Merchandise boosted their positions to among the top discount store spot television advertisers.

K mart, Wal-Mart and Target remained the three biggest spenders on local spot television, according to figures from the Television Bureau of Advertising (TvB). Last year, however, Wal-Mart's local television spending surged ahead of Target's.

The Arkansas based Wal-Mart acheived the No. 2 slot by posting a 36% gain in monies spent on spot television ads. The figures also show that chainwide Target's spending on local spots dropped by 7% during 1985.

Caldor jumped into the top 15 spot advertisers chart via a northeastern ad blitz that took off in October with 30-second spots featuring the " Caldor couple."

The company had reported plans to spend $5 million to $6 million during 1985. According to TvB about $4.2 million actually went to pay for the air time at Caldor.

If the ad campaign is considered a success, the chain plans to spend between $12 million and $15 million on production and air time this year.

Service Now No. 6

Service Merchandise had the second largest increase in spot television outlays during 1985, according to TvB. A 77% increase to an estimated $8.2 million for local ads placed the cataloger as No. 6 in terms of spot television spending.

Like Caldor, Service Merchandise launched a new television campaign last fall. The cataloger's program, however, was a test program of institutional ads in three markets: Miami, Atlanta and Chicago.

That test accounted for only part of the chain's increase in spending. The cost of the test of institutional ads was said to be about $1.5 million, which included the creative.

A second reason for the increase at Service was the company's growth—through acquisition and openings—from 183 stores to 295 stores, including entries into six new markets last year.

Hills, known for its institutional advertising on television, boosted its spending on spot ads by 77% in 1985. Thus, the chain held its spot as the fifth biggest spot television advertiser among discount and catalog chains.

Chains who posted a decrease in ad spending for 1985 included Gemco, Venture (only by 2%), Fortunoff, Best Products and Target, according to the TvB figures.

The largest drop tracked by TvB was at the California-based Gemco operation. Expenditures of about $4 million represented a 26% decline in spot advertising from TvB's 1984 figures.

New York Metro Market Leads Spot TV Ad Expenditures

Top 15 Discount Store Spot TV Advertisers in a Single Market

Store/Market	1985	1984	% Change
1. Fred Meyer/ Portland	$2,967,600	$2,468,200	20
2. Caldor/New York	2,724,400	14,200	19,357
3. Smitty's/ Phoenix	2,663,800	1,841,600	45
4. Target/ Los Angeles	2,214,100	2,538,100	(13)
5. Gemco/ Los Angeles	2,198,300	2,676,600	(18)
6. Fortunoff/ New York	2,039,700	2,545,500	(20)
7. Wal-Mart/ Houston	1,920,700	1,509,100	27
8. Target/Dallas	$1,917,200	$ 966,700	98
9. Venture/ Chicago	1,800,000	1,858,100	(3)
10. Wal-Mart/Dallas	1,687,500	1,409,700	20
11. Zayre/Boston	1,564,400	1,630,300	(4)
12. Bradlees/ Boston	1,500,100	1,041,300	44
13. Wal-Mart/ Atlanta	1,493,800	1,219,400	23
14. Marshall's/ New York	1,453,700	687,000	112
15. Zody's/ Los Angeles	1,445,500	2,200,400	(34)

National advertising not included in figures.
( ) Denotes decline

Source: Television Bureau of Advertising

NEW YORK — The metropolitan New York market was the scene of the two largest increases in spot advertising by discount stores last year, according to the Television Advertising Bureau (TvB).

Caldor spent more than $2.7 million for local air time in the New York area, according to TvB. As noted in the report on total chain spending (see p. 120), Caldor's new program launched last fall placed the chain in the TvB reports for the first time this year. Caldor took the No. 2 spot in single-market spending

A 112% increase in Marshall's estimated local budget in the New York market was the second largest single-market spending surge measured by Tvb for 1985. The off-pricers spent some $1.5 million in the market on spot television. Despite the surge Marshalls' spending in New York still only ranked No. 14 on the single-market chart.

Dallas was the market hit with the third largest increase in single-market spot television advertising by a discount chain last year. Target nearly doubled its spot advertising there in 1985 according to the TvB figures, which measured almost $2 million worth of local air time used by the chain.

Fred Meyer Moves to No. 1

The largest dollar expenditure in a single market reported by TvB came from Fred Meyer in Portland, Ore., which was estimated to have increased its budget in that market by 20% for 1985. In the previous year Fred Meyer had been listed as No. 4.

Smitty's moved up from No. 7 to No. 3 in terms of dollars spent in a single market. It is important to note that the Phoenix-based division of Lucky Stores sells food as well as general merchandise.

Although Bradlees' estimated spending in Boston was only the twelfth biggest singl-market budget tracked, it represents a substantial 44% increase in local spot advertising there.

Wal-Mart's single market ad expeditures ranked among the top 15 in three markets: Houston, Dallas and Atlanta. The chain recorded increases of 27%, 20% and 23%, respectively, in those markets.

In Los Angeles both Gemco and Target spent less on local television spots last year than in 1984, according to the TvB reports. Both chains spent around $2.2 million in 1985. For Target that was reported as a 13% drop. At Gemco the figure was about 18% less than TvB listed in 1984.

Zody's, the 15th largest single-market advertiser, went out of business in the first quarter of this year.

As a group discount stores spent about $114.8 million on local spot advertising last year, a 24% gain, according to TvB.

HEAVY TRAFFIC
Now the people who spend 800 billion dollars per year at retail stores are within your reach.
When you accept the new Discover℠ Card, you're accepting a card built on the power of the Sears Financial Network, with access to the Sears credit card base: people who account for 62% of all dollars spent in retail stores.
With the Discover Card, 22 million of these active spenders will receive 31 billion dollars in new pre-approved credit. They'll be reaching for the Discover Card because it costs them nothing to get, and pays them back every time they use it. What's more, it will be introduced by the largest credit card advertising launch in history.
The Discover Card is responsive to your needs, too. It offers you competitive discount rates, and works within your system with the same imprinter and sales process you currently use. You also get a fast turnaround of funds, customized floor limits, and in most cases 15 business days to resolve chargebacks before your account is debited.
With all these advantages, it's no wonder major retailers like Dayton Hudson, Johnston & Murphy Shoes, Goodyear Tire & Rubber Co. and Ace Hardware are accepting the Discover Card. So why wait. The sooner you call, the sooner your business can be in rush hour traffic, too.
To learn more about the advantages the Discover Card can bring to your business, call 1-800-624-MORE.
The Discover Card puts your business in a whole new light.
The 800 billion dollar figure cited above is based on the 1985 Survey of Buying Power, July 1985 issue of Sales & Marketing Management.
The 62% figure is based on a nationally representative four-week diary survey conducted by Market Facts, Inc. with 1765 heads of households, from mid-October to mid-November, 1984.
SEARS FINANCIAL NETWORK
The Discover Card is issued by Greenwood Trust Company, Member FDIC © 1986 Sears

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CLASSIFIED ADS

FOOD MERCHANDISING
FOR DISCOUNT RETAILERS

A Lebhar-Friedman Publication
MAY 1986

Large sizes, special packaging drive warehouse club food sales

Discounters maximize candy sales

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Washington 117-35 Striley Drive, Washington, D.C. 20861, 301-774-3895
Manager, Correspondent **Kenneth Rankin**
Washington Correspondent **Deane Evans**

Japan Diamond-Friedman Ltd. Chain Store Age News Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan 504-6750

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Consumables still boost store traffic despite tough market competition

Iris S. Rosenberg, Editor

"We'd never reduce the advertising (on consumables) because we have a philosophy here, and that is to swing doors."

John Sommerville, Jr., senior buyer, party goods, neatly summed up the K mart philosophy to the traffic building consumables category.

That long time philosophy has held, even in the face of the chain's recent moves to upgrade both store environment and merchandise assortments. As Sommerville pointed out in a story in this issue of *Food Merchandising*, when K mart traded up its assortments, particularly in softlines, they also went to "Cadillac brands" in paper goods: "The customer still wants price, but recognized brands are important too."

In fact, like K mart, most full-line discounters have resisted abandoning the category.

True, the category's low margin and image status is a steady source of concern. Yet excruciatingly stiff competition from supermarket operators willing to reach below a 10% margin level to own local traffic, and the seeming contradiction between consumables' hard-hitting bargain image and the more fashionable, department store-like statements so many discounters are trying to make have not knocked the category out of the box.

Even more interesting, a handful of discounters are taking an even more agressive approach to consumables, and finding new ways to make the category work harder.

Shopko, for example, no stranger to sharp consumables promotions, recently used three items, two of them food offerings, to put some extra spin on its day after Easter breaking circular.

To set itself apart from from the rest of the retail community pack, the Wisconsin-based discounter sliced price points on Coke ($2.79 for 12 cans; limit 24 cans) and Brach candies ($.79 a pound)—but limited the offer to Monday morning between 9:00 a.m. and noon. The "three hour bonus buy" offer was trumpeted, in four colors, across the top of the tab.

For discounters in search of a door buster, who turned to the category in earnest in the inflation-roaring seventies, the consumable department remains a viable offering in the deflationary eighties.

Large sizes drive warehouse food sales 6
Almost 90% of membership club food business is in large sizes.

Seasonal candy: The focus is basics 15
Chains bridge the gap between seasonal and every day assortments.

Chemicals can still 'swing doors' 20
Chains still advertise this category although margins have dipped.

Microwave popcorn sales explode 22
High turns and margins above 30% characterize this new category.

Paperama moves onto growth track

HINGHAM, Mass. — Paperama, a New England chain of deep discount stores with a strong emphasis on food, is on a fast growth track.

The company, which operates 30,000 sq.-ft.-units in three states, opened five stores last year, giving it a total of 11. Now Paperama has embarked on a hiring and training program in anticipation of rolling out four or five more of its unique stores next year.

Paperama started out as a discount retailer of party goods but gradually expanded into candy, which was seen as a a natural extension of party goods, and then moved into other basic food items. Now the chain also sells stationery and office supplies, greeting cards, H&BAs, housewares, chemicals and seasonal toys.

Much of Paperama's mix is weighted towards deal merchandise or seasonal goods which can be promoted heavily.

In candy, for instance, Paperama maintains a regular 28-ft. section of basic goods bought from a local wholesaler and then buys key seasonal merchandise direct from manufacturers and mass displays the merchandise on platform areas. These displays are a trademark of the stores.

That kind of mass display presentation, which is backed by heavy advertising as well as deep discount prices, has helped make Paperama the largest per store candy retailer in the New England area, said candy buyer Pat McGowan.

Because so much of its candy business is focused on seasonal items, Paperama now places holiday candies on the sales floor up to seven weeks before the season begins.

The chain has also proved that general merchandise and food can sell well together in a deep discount environment. Paperama stores, for instance, have a regular section devoted to office supplies and is a key retailer of these products in many of its markets.

Generic, 25-pack cigarette sales up

Discount stores are holding their own in a shrinking, price sensitive cigarette market.

The discount industry's market share rose from 6.00% in 1981 to 6.50% in 1984, according to market research by Louisville, Ken.-based Brown & Williamson.

Discounters' modest gains meant a larger slice of an ever-smaller but still gigantic business. Manufacturers shipped 595 billion cigarettes last year, down from 600 billion the previous year.

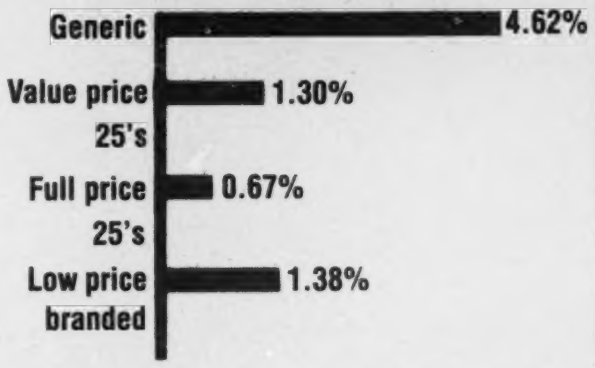
Discounters have managed to maintain their share of the market despite the fallout from higher prices that has signaled the end of the single price point. About 8% of the cigarettes sold last year were "value for money" offerings.

The value movement began with generic cigarettes, which captured 4.62% of the market last year, compared with just 0.46% in 1981.

Brands offering 25 cigarettes per pack and lower prices jumped from 0.36% of the market in 1983 to 1.30% last year. Full-priced packs of 25 grabbed 0.67% last year.

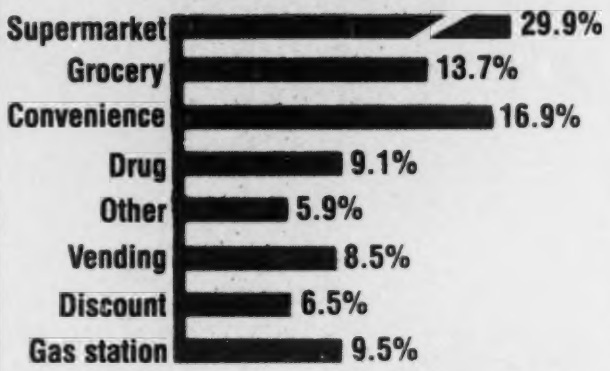
Low-priced brands have also appeared, capturing 1.38% of the market last year.

New price segments capture cigarette share*



*1985 market share

Cigarette sales by retail outlet*



*1984 volume

Source: Brown & Williamson Tobacco

Beer imports increase market share

Americans are drinking less beer but they're spending more for higher-priced imported beers.

Sales of beer declined slightly in 1985 to 182.0 million barrels, down from 182.7 million the year before and 184.2 million in 1983, according to research by Miller Brewing Co.

The big losers in market share were premium beers, super premiums and malt liquor.

Premium, still the most popular beer, now accounts for 43.7% of total beer sales, down from 45.0% last year and 51.6% in 1981. Super premium beer share declined to 4.1% of total business, down from 5.0% the year before. In 1981 super premiums accounted for 6.9% of sales.

Sales of malt liquor declined to 3.0% of sales from 3.2% the previous year.

The biggest gain came in sales of imports, light beers and popularly-priced beer whose share increased to 4.3% of the market, up from 3.9% the year before and 2.9% in 1981.

Light beers also gained business, upping their market share more than half a percentage point to 20.5% of business. Also winning more share were popularly-priced beers, which now acccount for 24.4% of the market.

U.S. Beer Market Share

Super premium	Premium	Light	Popular	Malt Liquor	Imports
4.1%	43.7%	20.5%	24.4%	3.2%	4.3%

Source: Miller Brewing Co.

Microwave popcorn sales explode

Since microwave popcorn popped up two years ago, a new, high turnover category has emerged that has garnered 30% of all popcorn sales.

There is more than a kernel of truth to the rumor that microwave popcorn has popped up big profits since its introduction two years ago.

"There is no question that this is a big category. It's a high turnover item," said K mart buyer Norm Roberts.

Sales of microwave popcorn increased 68% last year, according to A. C. Nielsen, while total tonnage sold grew 54%. That compares with a 24% gain for sales of traditional unpopped popcorn. In just two years microwave popcorn has come to account for nearly 30% of all popcorn sales.

Sales of microwave popcorn have tended to follow, not surprisingly, in markets where there is a heavy concentration of microwave ovens. Thus Minneapolis, a market where more than half of all households own a microwave oven, is one of the top markets for microwave popcorn sales, according to research by Deli Express, an Eden Prairie, Minn., food vendor. Other top markets, according to the study, are concentrated in the Midwest and West Coast—including Detroit, Seattle and Denver.

The East Coast, which has relatively low household penetration of microwave ovens, claims few key cities among the top markets for microwave popcorn.

Driving sales of the product has been a willingness of retailers to promote it heavily. K mart, for instance, traditionally promotes unpopped popcorn during fall. But the chain has been featuring microwave popcorn year round in an attempt to build excitement around the new product.

Overall, vendor advertising for microwave popcorn has more than doubled, jumping from $7 million in 1984 to more than $22 million last year, according to a Nielsen study.

One major midwestern discounter who has featured microwave popcorn frequently since September said some stores will move out as many as 1,000 units during promotions. The chain expects to sell 4 million units this year at gross margins averaging in the mid-30% range.

Typical Microwave Oven Owner

Age	40-59
Income	$40,000
Education	H.S. Graduate
Household Size	3-4, 5+

Source: Deli Express

Top Popcorn Markets*

City	Rating
Minneapolis	170
Detroit	144
Seattle	133
Chicago	131
Kansas City	130
Denver	113
Syracuse	112
Cincinnati	110
Atlanta	106
Dallas	100

*Chart measures microwave popcorn sales in major markets. A score of 100 is average.
Source: Deli Express

The chain's biggest sellers are Act II, which goes out at $.59 per single serving, and Deli Express, sold at $.99 per two-pack.

"Act II has the edge over Orville Redenbacher in our stores. People say Act II keeps in the flavor better. The price points on Redenbacher are just too high," said a buyer for the chain.

The boom in product sales has led to a bevy of product introductions. Some retailers, in fact, estimate that new brands account for as much as 50% of the growth in the category. Rose's, for instance, already carries Redenbacher and Wyandot, and "both brands are doing very well," said buyer Wayne Stockton. Nevertheless, the chain is considering adding newcomer Deli Express to beef up its offering.

Deli Express, which sells principally fast food sandwiches, has introduced a line of microwave popcorn in see-through bags which allow the customer to watch the popcorn popping and avoid scorching.

"We determined that in this market a product line must be clearly different than the competition's," said Rolf Engstrom, Deli Express vice president of marketing.

Although it is relatively new to the business, Deli Express has been developing a profile of microwave popcorn customers through postcards inserted in product packages.

In some ways the profile differs from that of the typical food shopper. Males, for instance, account for 30% of purchases, undoubtedly because of the strong convenience orientation of the product.

The two largest groups of purchasers are those between the ages of 26 and 35, and those over 46. Each group accounts for 29% of the business.

For the time being, discounters said they are riding the crest of this sales boom principally by selling microwave popcorn in their candy sections. Although some vendors have suggested setting up entire categories devoted to the product, or even cross-merchandising it in housewares with microwave ovens, discounters have demurred.

"It's not the preferred way to merchandise it. It's a food item and belongs with other foods," said K mart's Roberts.

Despite the success of the category, not all discounters have chosen to jump into it. Neither Caldor nor Bradlees sells microwave popcorn.

"At 30% to 35% [gross margins] it's not worth it," said Mike Cahill, buyer at Bradlees. "That's what I can get on unpopped corn. I deal in higher margins in my department."

Even those buyers who praise the way the new product moves off store shelves said there has been a certain amount of customer dissatisfaction because of quality problems. Brands react differently in different microwave ovens.

"Research shows that up to 9% of the popcorn is left over due to variances in microwave strengths," said K mart's Roberts.

COMPETITION

Nashville Spot Television Advertising

	1981		1983		1985	
	Nashville	All Markets	Nashville	All Markets	Nashville	All Markets
Discounters						
Wal-Mart	$413,700	$ 7.3 million	$625,200	$ 8.1 million	$ 736,900	$16.1 million
K mart	223,100	22.3 million	146,800	9.1 million	185,100	17.2 million
Target	564,200	6.3 million	301,000	10.7 million	1,919,000	14.2 million
Hills	463,300	3.2 million	384,800	4.5 million	1,077,100	10.2 million
General Merchandisers						
Sears	5,500	9.2 million	48,500	17.3 million	63,900	22.4 million
J. C. Penney	76,100	10.3 million	54,700	12.5 million	161,900	14.2 million
Department Stores						
Harvey's	2,600	2,600	33,000	33,000	11,200	11,200
Cain Sloan	59,400	59,400	95,700	95,700	17,800	17,800
Castner Knott	254,900	254,900	3,500	3,500	684,600	684,600

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data.

Nashville Ad Spending Follows National Trend

NASHVILLE — Nashville is a place where big city and small town retailing meet. In a crowded market where every sector of retailing is represented, discounters spend millions of dollars trying to separate themselves from the pack.

Statistics compiled by the Television Bureau of Advertising for the years 1981, 1983 and 1985 show a pattern of increased spot television advertising for Wal-Mart, a decline for K mart, and a remarkable increase for Target and Hills.

The pattern in Nashville is quite similar to the spending pattern created by the chains in their total market area. Wal-Mart spot television spending in Nashville increased by 78% from 1981 to 1985, and throughout all of its markets it jumped by 119%.

K mart's promotional spending actually decreased, both in Nashville and nationwide. The pattern of spending in 1981 showed K mart with $223,100 in Nashville and $22.3 million in spot market advertising across the nation. In 1985 the chain spent $185,000 in Nashville and $17.2 in spot markets nationwide (K mart also spent about $16.2 in network advertising).

During the same period, Hills' spending on advertising changed even more radically. After spending $463,300 in 1981 in Nashville promotion, Hills spent $1,077,000 in 1985. In all markets, Hills spent $3.2 million in 1981 and $10.2 million in 1985.

Ad dollars increased

Competitors like Sears, Penney have increased their ad dollars both in the Nashville market and nationally, but the Caster Naut department stores outspent every retailer in Nashville with $3.6 million in print promotion and $700,000 spent on television.

Gary Cunningham, retail advertising manager for *The Tennesean and Nashville Banner*, said the key discount chains—K mart, with 16 stores, and Wal-Mart, with 12 stores—have very different promotional strategies for the same market. While Cunningham believes neither chain has a decided advantage in the competition for market share, K mart generates 100 circulars annually while Wal-Mart seems content with about one a month.

Increased Advertising

Last year K mart spent $1.337 million just in ROP advertising in Nashville. Wal-Mart, its top competitor, spent $507,000 during the same period on ROP ads.

The top 10 print advertisers in Nashville include K mart (4) Sears, (5), and Penney (7). Circuit City is rated 11th. Toys "R" Us is ranked 40th in newspaper advertising spending. Two department stores and a food chain are the top three retail ROP advertisers.

Cunningham said specialty retailers like Circuit City and Toys "R" Us are maintaining a higher promotional profile.

In recent weeks, heavily advertised bargain auto financing rates have taken their toll on sales of durable goods and other hardlines categories. Cunningham said 6.9% financing on some new cars has induced many consumers to dig into savings and use disposable income to buy a new car at these unheard-of rates rather than buy an appliance, VCR, or new television.

Paint it
RED DE

"Paint it Red Devil" and "Stain it Red Devil" is our theme for 1986. Red Devil has the most COMPLETE LINE of Enamels, Wood Finishes and Removers, with a brand name known by everyone. 1986 will bring . . .

- Rebates—$3.00 on Polyurethane Clears and $2.00 on Paint & Varnish Removers.
- 12 Ads in *People Magazine*.
- 8 Ads in *Better Homes & Gardens*.
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- National television.
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- On-shelf display package.
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- Flexible programs.

RED DEVIL PAINTS & CHEMICALS / AN INSILCO COMPANY / 30 NORTH WEST ST., MOUNT VERNON, NY 10550

PRODUCT MOVEMENT AUDIT: STATIONERY

Home Office Products Top Stationery Department in Sales

By CHARLES BOWLUS
Vice President
Boston Distributors

Home office products led the stationery and school supply department in sales increases and profit contribution as retailers devoted more space and promotional activity to this exciting growth category.

The product movement audit for file boxes and accessories was led by W. P. Johnson's two drawer file cabinet with the new three drawer cabinet placing sixth.

Esselte Pendaflex enjoyed the greatest gains as a company with four skus on the top 15 listing for this market segment.

Esselte's product development and packaging are quickly making them the market leader in this important growth area. Watch their new entries, Find-It and Keep-It, add to their already strong leadership position.

Esselte also led the office supply category with its Hanging File Folder System. Mead dominated this product movement audit with a total of eight skus making the chart, including four put-ups of their new Accuracy line.

The Accuracy line is a step up from the System line which affords better quality, higher counts and, coincidentally, higher price points. The strategy worked as the legal pad, steno pad, notebook and quad rule book all landed in the top 15.

Mead has employed this same strategy successfully in the notebook category, plac-

(Continued on page 225)

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	FILE BOXES & DESK ACCESSORIES			
1	Two Drawer File Cabinet, 18213	667	48.34	32,243
2	Rockaway Security Chest, H300	2,007	13.70	27,496
3	Rockaway Cash Box, H260	2,062	11.92	24,576
4	Esselte McFile Brown, 40788	1,060	16.43	17,417
5	Esselte McFile Box, 40780	983	15.36	15,097
6	3 Drawer Filing Cabinet	237	63.14	14,964
7	Ballanol Super Porta File, 2912T	1,338	10.40	13,920
8	Steno Desk Tray with Cutout, 282	4,451	3.01	13,382
9	Rolodex Decorated File VIP 24	1,097	12.13	13,302
10	Sentry Fire Chest, 1100	396	31.80	12,593
11	Mead 21 Pocket Expandable File, 35280	2,255	5.46	12,315
12	Esselte Deco Rack, 23001	1,455	8.14	11,846
13	Esselte Tote File Blue, 40606	1,520	7.57	11,510
14	6 Rolodex Covered S 300 C	1,418	7.95	11,276
15	Steno Message Rack, 330	2,294	4.89	11,212

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	OFFICE SUPPLIES			
1	Esselte Hanging Folder System, 18559	3,083	10.62	32,741
2	Telephone Address Book, 80011	4,523	4.44	20.098
3	Esselte Hngng Fle Fldr Rfll 10 Pck, 18504	3,906	5.12	20,000
4	System Clasp Envelope, 9x12, 76020	9,261	2.16	19,979
5	System Clasp Envelope, 10x13, 76022	8,166	2.27	18,517
6	Accuracy Stiff Legal Pad, 59680	11,190	1.64	18,314
7	Legal Pad, 11", 50-ct, 59604	21,784	0.72	15,714
8	Accuracy Stiff Notebook, 06800	8,871	1.75	15,528
9	Telephone Address Book, 80006	5,765	2.65	15,272
10	Accuracy Steno Book, 43800	8,986	1.69	15,222
11	Telephone Address Book, 80201	3,688	4.10	15,109
12	Accuracy Stiff Quad Ruled, 62310	7,687	1.84	14,118
13	Dome Weekly Bookkeeping Record, 600	1,890	6.62	12,512
14	System Clasp Envelope, 6x9, 76018	6,694	1.85	12,413
15	Mead Wire Index Card, 4x6, 63138	11,280	1.08	12,208

(Continued on page 225)

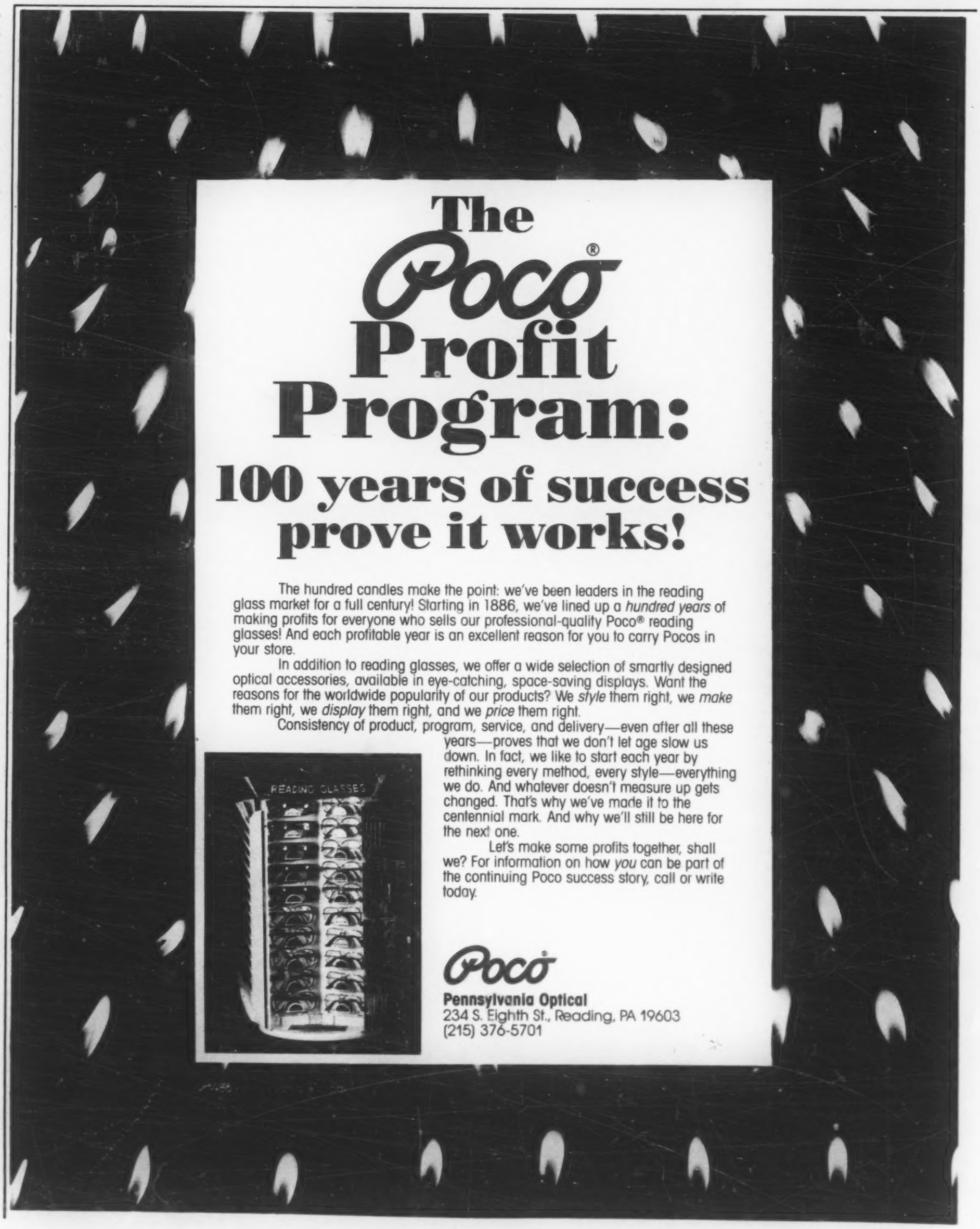
CSG Publishes New 1986 Guide

NEW YORK — The *1986 Directory of Discount Stores/ Catalog Showrooms* has just been released by *Chain Store Guide*, a division of Lebhar-Friedman, parent company of *Discount Store News*.

The 1986 guide, produced by the *CSG* research staff, recorded over 10,800 changes over the 1985 directory. Reflecting the volatility of the marketplace, these changes include the names and locations of companies entering the business as well as the mangement changes generated by mergers, acquisitions and corporate restructurings at many of the remaining firms.

Each company listing includes a profile of the chain: Number and type of departments operated (e.g. automotive, pharmacy, auto service centers, etc.), store locations and the names and responsibilities of the corporate merchandising staff.

To order the 26th Annual *Directory of Discount Stores/ Catalog Showrooms* (also available on mailing labels/ magnetic tape) contact Andrew DeSarle, publisher, *CSG* Information Services, 425 Park Avenue, New York, N.Y. 10022. To order by phone call (212)371-9400.


The
Poco®
Profit
Program:
100 years of success
prove it works!
The hundred candles make the point: we've been leaders in the reading glass market for a full century! Starting in 1886, we've lined up a *hundred years* of making profits for everyone who sells our professional-quality Poco® reading glasses! And each profitable year is an excellent reason for you to carry Pocos in your store.
In addition to reading glasses, we offer a wide selection of smartly designed optical accessories, available in eye-catching, space-saving displays. Want the reasons for the worldwide popularity of our products? We *style* them right, we *make* them right, we *display* them right, and we *price* them right.
Consistency of product, program, service, and delivery—even after all these years—proves that we don't let age slow us down. In fact, we like to start each year by rethinking every method, every style—everything we do. And whatever doesn't measure up gets changed. That's why we've made it to the centennial mark. And why we'll still be here for the next one.
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Home Office Products Top Stationery Department in Sales

(Continued from page 223)

ing three skus of its Five Star line on this year's PMA. Their new Glare Care line, another high count, high price-point line, is doing extremely well and is sure to make this year's charts.

These profitable lines, as well as similar offerings from other prime manufacturers, represent excellent in-store promotional opportunities during the school year.

This year's paper product movement audit was of course led by filler paper in the 200 count package despite share erosion by theme books.

Paper prices have supposedly gone up but initial quotes from the manufacturers indicate that we should see filler and notebook prices at about last year's levels.

Retails should average two-for-$1 to 59¢ on filler paper with perhaps a little more margin available on the notebooks. We are recommending strong ad prices on notebooks and case stack or end cap displays of the more profitable step-up lines such as Glare Care.

Competitive Category

Writing instruments was an intensely competitive category in 1985, especially between PaperMate, Bic and Scripto.

PaperMate grabbed top honors with five skus on the top 15 listing compared to Bic's four put-ups, but Bic's Biro Blue was our top stick pen multipack, edging out PaperMate's Blue 10 Pack. Scripto's Erasable Pen 5-Pack, at No. 6, was our top erasable followed by PaperMate's 3 Pack at No. 13 overall.

Faber's 10-Pack Pencil was our top writing instrument. We don't expect any surprises in 1986 in this category as there are no significant new entries.

Competition will continue to drive prices down to a point that these top volume producers can be promoted profitably.

Strong Growth Area

The stationery school supply and home office products department can be a strong and profitable growth area in 1986. Due to its high propensity for impulse sales, many of its products respond- exceptionally well to in-store promotions at check-outs or on end caps.

Higher ticket step-up lines in notebooks, or hot fashion theme books such as Mead's designer series, could be placed on ends September through May, while multipack pens and markers could be displayed on check-outs with 50% margins on a year round basis.

Home office promotions on file cabinets, security chests, or an end cap of Esselte products would also afford excellent results any time of the year.

READ CLASSIFIED ADS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	PAPER & NOTEBOOKS			
1	Filler Paper Wide 200-ct, 0215	243,491	0.59	143.660
2	Filler Paper Narrow 200-ct, 10203	189,716	0.59	111,932
3	Mead 55B 180 ct NW Theme Book, 05682	79,896	0.99	79,097
4	Springfield Theme Book 120 ct Wide 3 sub	50,741	0.89	45,159
5	Flex 3 Notebook with Pad, 29500	7,670	5.63	43,150
6	Springfield 70 ct Theme Bk Wide, 37670	85,957	0.49	42,119
7	Mead Theme Varsity 100-ct, 06500	14,779	1.29	19,065
8	5 Star Theme 5 sub, 200-ct 11x8, 06208	5,709	3.33	19,024
9	5 Star Theme 3 sub, 150-ct 11x8, 06210	6,275	2.69	16,880
10	Mead Scribble Tablet 150-ct 57202	10,084	1.46	14,679
11	Springfield Theme Book 40-ct Wide, 37600	36,864	0.39	14,377
12	Mead Theme Book, 4 sub. 6 Pocket, 06716	5,294	2.59	13,695
13	Care Bears Theme Book, 05480	12,882	1.04	13,408
14	Sprngfld Thm Bk 200-ct Wide 5 sbjt, 36396	7,107	1.88	13,368
15	5 Star Theme 2 sub, 100-ct	8,343	1.59	13,281

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	WRITING INSTRUMENTS			
1	Faber 10-Pack Pencil	185,881	0.47	86,446
2	Bic Biro Pens 10-Pack Medium Blue	44,906	1.19	53,438
3	Papermate 10-Pack Pens Medium Blue	44,153	1.19	52,591
4	Papermate 10-Pack Pens Medium Black	41,622	1.19	49,530
5	Crayola Markers Broad, 7708	20,900	2.19	45,771
6	Scripto 5-Pack Erasable Pens Blue, 65589	24,351	1.19	28,978
7	Bic Biro Pens Medm Blck 10 Pck, GSMP	22,064	1.19	26,256
8	Carter Marks-A-Lot Black, 17888	47,730	0.55	26,179
9	Scripto Yellow Pencil, 83479	14,802	1.43	24,169
10	Magic Marker Liquid Crayons Broad, 1549	19,153	1.19	22,792
11	Papermate Pwr Point Prfle Slim, 14164	6,692	2.99	20,000
12	Papermate Pwr Point Prfle Rgir, 14264	6,661	2.99	19,916
13	PM Erasermate 2 Black Medium 3-Pack	14,249	1.28	18,241
14	Bic 3-Pack Erasable Pen, MP 31	18,864	0.94	17,793
15	Bic Stick Pens 10-Pack Black, MS 202	13,901	1.19	16,542

Source: Boston Distributors, Maple Heights, Ohio, for calendar 1985. Boston supplies over 800 stores, including about 400 discount stores, in 18 states. Average retail prices listed by the distributor reflected typical price points for discount stores.

This advertisement is neither an offer to sell nor a solicitation of offers to buy these securities. The offer is made only by the Prospectus.

April 28, 1986

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

$2 per copy

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K mart Still Denies Rumors of Takeover

TROY, Mich. — K mart continued to deny rumors that its stock was being accumulated by private investors and/or stock speculators anticipating a buyout offer for the $22.4 billion diversified retailer.

The heavy trading in K mart stock in the two weeks preceding *DSN's* presstime, however, caused retail observers to wonder whether the company's shares were being amassed despite the discounter's denial.

As far as K mart was concerned, the rumors are a reaction to the stock market's interest in the company and the exceptionally heavy trading in its stock. During the two-week period through May 23, K mart stock was among the most actively traded on six consecutive days, with about 10 million shares, or 7% of the stock, changing hands.

Trade observers said it would take in excess of $6 billion to make a meaningful offer for K mart and its 125.5 million shares outstanding.

During the period in question, K mart stock rose to a new high of $52.50.

The market's interest in K mart also could reflect the discounter's strong first quarter performance, during

(Continued on page 78)

Leading Electronic Discounters

Chain (Hq. State)	Volume (millions) Last Completed Fiscal Year	Number of Stores 1/85	1/86	1/87	Avg. Store Size (Sq. Ft. Gross)
Circuit City (Va.)	$705	93	90	75	3,000-40,000
Highland (Mich.)	520	32	42	42	20,200
Silo (Pa.)	472	97	111	120	12,000-700,00
The Federated Group (Calif.)	364	43	60	59	23,100
Crazy Eddie (N.Y.)	262	14	22	23	7,100
Pacific Stereo (Calif.)	215	85	64	NA	4,600
Fretter (Mich.)	214	29	36	39	14,000
Audio-Video Associates (Ohio)	181	45	78	100*	4,000-25,000
Newmark & Lewis (N.Y.)	142	25	27	34	10,000
Luskin's (Md.)	110	29	40	53	8,600

*DSN *projection* — *Source:* DSN *research*

Strategy for '86

CE Chains Slice Margins to Grow

DSN Nationwide Report

Consumer electronics specialty chains are continuing their ambitious expansion plans with new store openings in major markets across the country.

This growth is continuing despite a sluggish retail climate that has forced the specialists to pare margins and build store promotions—and has helped to drive at least one chain out of business: West Coast-based Pacific Stereo.

"Consumers are taking a holiday from CE," said Keith Powell, president of the Federated Group. He expects to see a turnaround late in June or in early July.

"We are not romancing the customer," he said, blaming part of the decline on a cutback in vendor advertising. "People buy based on top of mind. It isn't there right now."

Just as the previous fiscal year was marked by major sales increases and rapid expansion by the larger specialty chains, the need to stimulate consumer spending through price competition took its toll in the first months of the new fiscal year and its tougher retail climate.

The challenge now is for retailers to con-

(Continued on page 78)

Bradlees 44-Unit POS Test To Go Chainwide by 1987

BRAINTREE, Mass. — After helping to test IBM's newest electronic point-of-sale system in a "laboratory environment" last year, Bradlees will be among the first retailers to use the POS equipment in a store next month.

The move is part of Bradlees' plan to have electronic registers—now in just 44 of its 156 stores—in all units by 1987. The current electronic terminals are the earlier model IBM POS registers, with Sweeda and NCR equipment used in other stores.

A Bradlees executive said converting to chainwide use of electronic POS terminals will enable the chain to institute scanning of UPC bar codes and price look-up for all its

(Continued on page 77)

Distribution Center Standards	Store Standards	**NMRI: DPP Model Format**	
Transportation Standards	Corporate Standards		
Product Characteristics Input		DPC Calculation	DPP Calculation

Lucius Harvin III, head of Roses Stores, chaired the NMRI convention session introducing the computerized DPP model (shown above, left) to discount industry retailers and suppliers.

Industry Views Initial DPP Model

DALLAS — The next step in bringing direct product profitability (DPP) to the discount department store industry was taken here last month at the annual National Mass Retailing Institute (NMRI) convention.

With DPP, retailers can identify the specific warehouse and retail costs associated with moving each item through the distribution system from the time it is received from the supplier to the point the consumer takes the product from the store.

If adopted, DPP would ultimately replace gross margin calculations as a yardstick for measuring profitability.

Discounters and suppliers got their first full look at the program, and the initial version of the computerized model needed to make it work, during one of the convention's general sessions. The presentation followed nearly a full year's work by an NMRI-assembled task force of retailers and executives from Procter

(Continued on page 78)

Hills Taps Four Ohio Units For Financial Services Test

By EDWARD McKINLEY

Hills was set to open financial service centers in four of its Toledo, Ohio, stores late last month as a pilot project that may lead to additional centers later this year.

Meanwhile, Hills' parent company, SCOA, completed its previously announced plan to sell all of its footwear operations.

SCOA's strategy to now concentrate on Hills includes openings of six new stores this summer and fall, along with the test of financial service centers.

For now, the Hills financial service centers will sell only one commodity, certificates of deposits, according to Sal Acquisto, market development manager for Goldome, the Buffalo, N.Y.-based bank working with Hills.

The centers may eventually offer other services including IRAs, insurance and loans, Acquisto added. But he offered no timetable.

Savings or checking account services will not be offered.

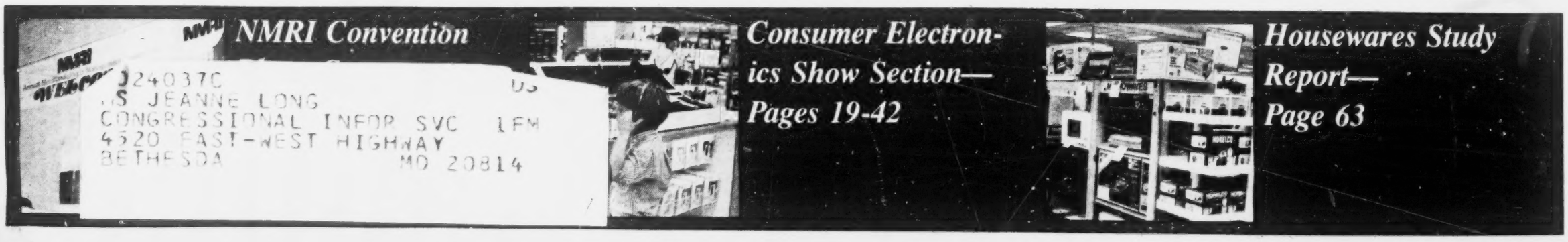
Acquisto characterized the four centers as a "pilot program," saying Hills will open more only if the early centers are successful.

The financial service center is a first for Goldome, as well as for Hills. The chain's role at the centers is as an agent for the customer. Hills employees staff the 200-sq.-ft. centers. Goldome will process and service the CDs.

Hills and Goldome executives said the venture makes sense because the companies have similar customer bases.

"The Hills customer is a

(Continued on page 77)



Pacific Stereo Uses Sale To Ease $$$ Crunch

By MICHAEL HARTNETT

EMERYVILLE, Calif. — Pacific Stereo struggled to meet payroll and store costs with a $15 million liquidation sale that began Memorial Day weekend, having filed for protection from creditors 10 days earlier.

Many observers expect the chain to emerge from Chapter 11 in a more consolidated form, rather than continuing to expend operating funds in tough, marginally profitable markets. One industry insider said the chain's management is meeting with a potential buyer who could provide the needed capital to get the chain back in business and deal with debts to vendors like Sony, Hitachi, Pioneer and others.

All of the chain's 64 stores were closed the day before the chain filed for bankruptcy and just 15 were opened for the liquidation sale. In Los Angeles, six of the 16 stores in that market took part in the sale. In the San Francisco Bay Area, just four stores participated. In Seattle, two of the four stores were opened.

A Bay Area store visitor said television and video products were enjoying a brisk consumer response with a 15% discount off the everyday prices. VCR's and camcorders were discounted 10%, accessories and furniture were reduced by 50% and portable audio was being sold at 20% off.

One industry observer familiar with the Dallas market and Pacific Stereo's former operations said he believes chain executives knew they were in trouble as long ago as last fall, when the chain began closing the seven stores in the market. The chain has since withdrawn from both the Dallas and Houston markets that it paid so dearly to enter. The last of the seven stores in the greater Dallas-Fort Worth area was closed in March of this year.

Analyst Michael Via, of An-

(Continued on page 4)

Clairol Computerizes Hair Color Analysis

By KAREN PAXTON

Technology is Clairol's most powerful marketing tool for growing its hair color business, said Bill Susecktor, director of the division. And he wasn't just talking about advances in formulations.

Clairol Color Visions, a kiosk center using video technology, was unveiled last month in the Ft. Lauderdale, Fla., Galleria for a two-month stint.

By using a video camera, a computer and a printer, Clairol can actually give potential customers a photo of themselves with hair of a different color to take home along with name of the exact product they should use to achieve that effect.

Add a one-on-one session with a professional beauty consultant, and customers can get the personal attention not usually offered in mass merchandise chains (which represent about a quarter of the company's hair color volume).

On June 16, Clairol will break down its kiosk and review the results of Color Visions' premiere run.

What remains to be decided is where future kiosks will be set up.

Although Color Visions is similar to what department store cosmetics booths have started doing, it took three years for Clairol to develop a system that would duplicate the textures and interactions of hair color.

Use of the technique known as "image simulation" is expected to expand the hair color business by taking the risk and the mystery out of hair coloring.

In addition, the Color Visions computer also gathers valuable marketing information about the hair color user. The consultants create a file for each person and store data on age, background and previous hair treatments before suggesting any Clairol product.

That information should

(Continued on page 77)

Discount Industry Leaders Launch Attack On Administration's New RPM Legislation

WASHINGTON — The discount store industry launched a frontal assault on controversial Reagan Administration antitrust "reform" legislation, calling the President's proposal "a 'back door' approach to once again encourage resale price maintenance" conspiracies against retail chains.

In testimony before the Senate Judiciary Committee, Burlington Coat Factory president Monroe Milstein warned Congress that enactment of the Administration's bill would leave many discounters "virtually defenseless" against "vertical price-fixing" activities.

Milstein's concern was focused squarely on provisions in the White House-backed "Antitrust Remedies Improvements Act" eliminating treble damage awards against RPM conspirators and most other antitrust law violators.

Currently, firms which engage in such illegal practices are forced to pay their victims three times the actual monetary damages resulting from these antitrust violations.

In proposing to eliminate treble damage penalties, the Administration argued that such heavy damage awards encourage frivolous suits.

Milstein charged that this bill is but the latest in a series of maneuvers to weaken RPM enforcement.

"Over the past five years, the Justice Department and the FTC have not only clearly refused to enforce the law, but have also attempted to change the existing antitrust laws on price fixing," he told the Senate committee.

"Even though Congress found it necessary to restrict the Justice Department's appropriations so that it would not alter or change the existing per se rule on retail price maintenance, that did not deter the antitrust division from

(Continued on page 76)

Scratch One NHMA Show for 1988

CHICAGO — The annual Housewares Show, a twice-a-year fixture on buyer calendars, is being consolidated into a single January event.

The change could take place as early as January 1988, according to Ronald A. Fippinger, managing director of the National Housewares Manufacturers Association (NHMA).

The show scheduled for November, 1987 has already been cancelled.

Mounting complaints, particularly from buyers in the high-volume segments of retailing, including the discount department stores and catalog showrooms, was a major factor in the show schedule change.

The single January show works better with their business cycle, said buyers surveyed by the NHMA.

Manufacturers, on the other hand, don't like the schedule change. All but four percent of vendors polled by the NHMA preferred a two-show schedule; about half wanted winter and summer meetings, while the other half opted to retain the current spring/fall program.

The NHMA has held two shows per year since 1948. The association switched to a spring/fall schedule in 1984. Until then, the shows had been in January and July.

For the story on the NHMA's annual survey of housewares manufacturers sales to wholesalers and retailers, turn to page 63.

The DSN *Quiz, testing your knowledge of news and trends in discount retailing covered in the last two issues, appears on this page monthly. Check your answers with the key on page 78.*

1. Both Makro wholesale warehouse club and Bradlees have 1986 plans to:
a) open units in Anchorage, Alaska;
b) issue private label credit cards;
c) add small DIY solar panels to the home improvement mix.

2. The Television Advertising Bureau cited:
a) Wal-Mart for Sam Walton's national TV debut promoting the chain's key hard goods lines;
b) Service Merchandise for its brand-name apparel ad campaign;
c) Crazy Eddie for its series of "Prices are Insane" commercials.

3. What is F.A.N.?
a) Target's Far and Near program for buyers, exploring the pros and cons of imports versus domestic goods;
b) Gemco's Friends and Neighbors program;
c) Howard's Food and Nutrition program for employee health maintenance.

4. On January 1, 1986, Caldor instituted a ban on what employee activity at its Connecticut headquarters?
a) using personal stereos;
b) smoking at their desks;
c) wearing jeans to work.

5. Which writing instrument had the highest ranking dollar volume in the annual stationery product movement audit?
a) Faber 10-pack pencils;
b) Bic Biro 10-pack pens;
c) Scripto 5-pack erasable pens.

6. Which chain has the most stores in Nashville?
a) Zayre;
b) Wal-Mart;
c) K mart.

7. "It's no secret that we've been exploring sites there," said a Target spokesman about what potential new trading area?
a) Westchester County, N.Y.;
b) Lancaster County, Pa.;
c) Northern California.

8. Which chain was the largest spot TV advertiser in 1985, according to the Television Bureau of Advertising?
a) K mart;
b) Wal-Mart;
c) Target.

9. Which cataloger is actively recruiting to hire senior citizens to work in its showrooms?
a) Best;
b) Service Merchandise;
c) L. Luria.

10. During the 1990s, the fastest growing age group will be people of which of the following age groups?
a) 45 to 54;
b) 55 to 64;
c) 65 to 74.

Biggs Redesigns Apparel Areas

Biggs, the Cincinnati-based hypermarket, is honing its apparel presentations to make a more dramatic impact within its 200,000-sq.-ft. food and general merchandise concept. Clothing is displayed on new ceiling-hung grids. The single-store U.S. version of the European hypermarket is gearing up for three additional stores. See story page 9.

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Lower Prices, More Features Spur Greater VCR Ownership

WASHINGTON, D.C.—More than 35% of all American households now own at least one videocassette recorder, according to a recent study by the Electronics Industries Association. That is up from the 25% of households which reported owning VCRs at the beginning of 1985.

The vast majority of these households own one VCR, according to the study. But 11% own two. And the number of dual ownership households may go much higher, if past experiences with electronics products is any indication. More than 45% of all households own more than one color television, the study noted.

The study also showed that table/deck models continue to be the dominant type of VCRs. From 1981 to 1985 tabletop VCRs grew to 85% of the market, up from 77%. Portable VCR share declined from 22% to 14%. Camcorders continue to hold just 1% of the market, although most industry observers believe that much of the future growth of the market rests with camcorders.

The study also verified the enormous edge that the VHS format has. It now accounts for 90% of all purchases, up from 77% in 1981. Beta's share has declined to 9%, while 8 mm now owns 1% of the market.

Prices have dropped dramatically, the study illustrates. In 1982 only 4% of all VCRs sold for less than $300, while more than 45% sold for more than $700.

But last year 22% of all VCRs sold for less than $300 while 56% cost between $300 and $499. Despite the introduction of higher-end stereo VCRs and camcorders, only 8% of purchases were for VCRs costing more than $700.

What are the most important factors in the buying decision for those who purchased a VCR last year? Those responding to the survey named overall picture quality, price and format (VHS/Beta/8 mm) as the most important factors. Also ranking high on the list were the manufacturer's reputation, special features and warranty/guarantee. A growing number of people, 28%, said that stereo was an important feature in buying a VCR.

The study showed several significant differences in selection factors between those people who had bought VCRs for $500 or more and those who had paid less than $500.

Picture quality, for instance, was more important in the higher paying group, as was the manufacturer's reputation. Stereo capability was nearly twice as important to those paying more than $500.

The study also showed that cable television compatibility was the most important feature for all those who purchased a VCR last year. Of those who purchased more expensive VCRs, 66% named cable compatibility as an important factor.

In 1981, only 49% of those who purchased VCRs thought cable compatibility important.

Other key factors included wireless remote control, selected by 65% of those who paid $500 or more for a VCR; high speed reverse or forward, chosen by 59% of those paying more than $500; ability to record multiple events, chosen by 54% of those paying more than $500, and four video heads, favored by 61% of those paying more than $500.

In 1981 only 24% of those who bought VCRs sought wireless remote, 22% sought one-touch recording and 10% wanted stereo/hi fi capability.

The study also showed that the replacement cycle has mostly not started for VCRs. Almost all VCRs purchased since 1980 are still in use.

But, the study showed, VCRs are becoming an essential part of the households which now own them. According to the study, 95% of those who currently own a VCR would replace it if it failed beyond repair.

So far, however, VCRs appear to be holding up well under the wear. Nearly 60% of those who bought VCRs in 1981 said they have not yet taken their model in for repair. Only 24% of those purchased in 1981 have been in for repair more than once.

Profile of VCR Owners and Nonowners

Household Size	Owners	Nonowners
One Person	16%	27%
Two People	28	35
Three People	22	15
Four People	21	13
Five or More People	13	9
Income		
Less Than $10,000	10%	26%
$10,000-$14,999	9	16
$15,000-$24,999	21	24
$25,000-$39,999	30	21
$40,000 and Over	31	13
Age		
Under 30	22%	16%
30-39	31	18
40-49	23	14
50-59	15	16
60 and Over	36	11

Source: Electronics Industries Association

Cost of VCRs

	1981	1982	1983	1984	1985
Less than $300	7%	4%	7%	13%	22%
$300-$499	22	32	53	53	56
$500-$699	27	23	19	20	14
$700 and more	45	42	22	14	8

Source: Electronics Industries Association

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Study Shows Strong Sales of VCRs, Current Owners Plan to Upgrade

WASHINGTON, D.C. — The videocassette recorder clearly hasn't run out of sales wind. According to a recent study by the Electronics Industries Association, 37% of all households plan to buy a VCR in the next 12 months. Of that group, 13% said they were extremely likely to make such a purchase.

The group of potential buyers is divided between those who already own, and would presumably be upgrading, and those who will be buying their first VCRs. More than 30% of current VCR owners said they would buy in the next year, while 41% of nonowners plan to buy.

What kind of VCRs are potential buyers searching for? Table/deck models head the list, with 60% having said they'll buy that type. But 6% said they will buy camcorders. That compares strikingly with last year, when only 1% of those who bought VCRs chose camcorders.

The biggest potential audience for camcorders is present VCR owners, who would obviously be looking to upgrade. Nearly 15% of current VCR owners who are planning to buy another VCR said they would choose a camcorder over other models. Only 3% of those who don't own a VCR but plan to purchase one said they will buy a camcorder.

Among both owners and nonowners alike the preference is strongly for the VHS format, with 84% of all households having said they'll buy VHS. But support is also growing for 8 mm, especially among those who already own a VCR. In that group, 4% who said they plan to purchase another VCR this year said they would buy 8 mm.

In fact, the study found that of those who already own a VCR and plan to buy another, 27% would be doing so to upgrade to something better. Even more interesting, perhaps, is that 56% of those looking to buy another VCR would do so simply because they want to have two working VCRs in their household.

The likelihood that a person will buy a VCR increases if that person has ever rented one, the study shows. Nearly 30% of those who have rented a VCR said they are very likely to buy one in next 12 months, while another 41% said they are somewhat likely.

That compares with only 12% of those who have never rented a VCR who said they are very likely to buy one in the next 12 months and 23% who have never rented a VCR and said they are somewhat likely to buy one in next 12 months.

Of those who don't own a VCR and don't plan to buy one, more than half said they are simply not interested in the product. Another 36% said that the expense of owning a VCR was the main reason they didn't plan to buy one, while 18% said that watching television was satisfying enough for them.

Those who already own a VCR almost invariably use them in their living room, although about 29% said that they use them in family rooms. Another 11% locate them in the bedroom (although 24% of all second VCRs get placed in the bedroom).

Who uses the family VCR most? In almost half of all households who own VCRs, the male head of the household uses it the most. In 37% of households the female head of thehousehold is the main user. In 13% of households a son is the principal user, while in 8% a daughter is the main user.

Home recording is something that VCR owners do about one to five hours a week, typically, while playing cassettes is something that people do nearly twice as much. Nearly 55% of those who own VCRs spend one to five hours a week recording, while 25% spend six to 10 hours a week recording.

As for playing cassettes, 36% of those who own VCRs do that between one and five hours a week, while another 39% play cassettes six to 10 hours a week.

The mean number of hours per week people spend recording is 6.1 hours, while the mean number of hours people spend playing cassettes is 9.3 hours.

VCR ownership, according to the study, generally follows population density trends throughout the country. For instance, 6% of all VCR owners reside in New England, which also contains 6% of all U.S. households.

The Pacific states have the greatest concentration of VCR owners, 18% compared with 14% of total households. The smallest concentrations are in the East South Central states and the Mountain states, both of which claim just 5% of VCR owners. Several areas of the country, including the South Atlantic and the East North Central, have a smaller concentration of VCRs relative to their total population.

Intention to Buy VCRs in Next Year

	All Households	VCR Owners	Non-VCR Owners
Very Likely	13%	10%	15%
Somewhat Likely	24	22	26
Not Likely	63	68	60

Source: Electronics Industries Association

Where VCRs Are Located in the Home

Room	%
Living Room	56
Family Room/Playroom	29
Bedroom	9
Study/Den/Library	4
Kitchen	1
Other Rooms	1

Source: Electronics Industries Association

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Discounters Share of Housewares Manufacturers' Sales Drops

CHICAGO — Discounters and catalogers together grabbed a smaller but still dominant share of housewares manufacturers' sales to retailers and wholesalers last year.

The portion that membership warehouses took couldn't be determined while this new and fast-growing segment was still developing relationships with housewares manufacturers.

Housewares manufacturers' total sales, meanwhile, plunged for the first time in 15 years, dropping 6% to $23.2 billion from $24.6 billion, according to a recent report from the National Housewares Manufacturers Association (NHMA).

The portion of housewares manufacturers' sales going to discounters and catalog showrooms slipped to 44% last year from 47% the previous year. The key reason was that market share for the discount store segment declined six percentage points to 32% from 38%.

The situation reflects, in part, the consolidation underway in the discount store industry, which has seen some chains being taken over by larger companies while others have just closed.

Catalog showrooms fared much better, with sales to catalogers up three percentage points to 12% from 9%.

A major contraction took place in the showroom after the survey was completed. Any drop in the catalogers' share will have to be reported in 1987 following a survey of manufacturers later this year.

Other retailers showing gains in market share were housewares/hardware specialty stores, up three percentage points to 6%; drug stores, up two percentage points to 7%; and variety stores, up one percentage point to 3%.

Supermarkets' share fell two percentage points to 5%.

The NHMA plans to change its twice-a-year National Housewares Exposition to a single January event, possibly as early as 1988, Ron Fippinger, NHMA managing director, said.

Discounters and catalogers, particularly the latter, have long preferred a show in January in place of the current schedule that has events in the spring and fall. He said this fact tipped the scales in favor of the single January show.

Discount stores remained the largest single retail buyer of goods from housewares manufacturers. Nevertheless, the drop in market share held by the discount segment resulted in a decrease in purchases from housewares' vendors of more than $1.9 billion.

Joseph S. Adler, president of B. Angell & Associates Inc., the company that conducted the study, cautioned, "Late in 1983, early in 1984, there was a lot of press regarding the importance of discounters/mass merchandisers in the marketplace. I believe this publicity caused manufacturers to overstate the volume to these retail divisions; the figures are inflated."

Adler added this would also explain the atypical 8% jump in reported sales to the discount segment from 1983 to 1984. Until then, increases had been more gradual.

In the current study, manufacturers cited a number of reasons for the 1985 decline in industry sales.

Three major factors mentioned were: changes in retailers' buying patterns, the decreased strength of the dollar and the increased importance of merchandise from South America and Mexico, as well as China and Japan.

One manufacturer noted: "Mass merchandisers are now directly importing our main item. Before this, they used to buy it from us."

"Again, foreign competition is our biggest problem," said another manufacturer.

"It is at the point where it is almost senseless for us to introduce new products. Before our products hit the market, some company from another country has copied it and started offering it for approximately half the price."

Another vendor complained of "lack of loyalty from the retail community.

"After they test viability of a product from a supplier like myself, if retailers can knock off a product in Taiwan, China, Brazil, etc., they almost always do."

The influence of retailing consolidation, particularly recent mergers among discounters, was also cited as a component of the waning sales—as well as being a possible explanation for the drop in sales to discount stores.

"The shrinking marketplace—mergers and buyouts of the major retailers—are forcing demands on small businesses," said one manufacturer. Another cited McCrory's acquisition of T. G. & Y. as an example of this trend.

"The loss of several small and medium-sized variety store and mass merchant chains due to acquisitions" was noted by another vendor.

Study Reveals Discount Trends

CHICAGO — The National Housewares Manufacturers Association's annual study of the housewares industry cited a number of statistics and trends regarding discounters and catalogers. These include:

- Discount stores are especially dominant in decorative accessories and outdoor products and accessories, accounting for 42% of vendors' business last year.
- Housewares sales to catalog showrooms, at 12%, were at their highest in the history of the NHMA's tabulation conducted by B. Angell & Associates.
- Furniture sales to both catalog showrooms and discounters were above their housewares averages at 17% and 38%, respectively. Last year, furniture figures were on average for both these retail segments.

Joseph Adler, B. Angell president, called this increase "noteworthy," but refused to call it a trend until after next year's report is released.

- Membership warehouse figures couldn't be determined. At present, those sales figures are included in the retail outlet subcategory, "all other."
- Electric housewares sales to catalogers was also noteworthy, at 20%, according to the study. That percentage is 8% above average for that retail segment.

The study also reported the following general housewares industry trends:

- Less than one-quarter of the manufacturers surveyed had increased their prices during 1985.

Those vendors that plan to raise their prices during 1986 are doing so because of concerns over the declining dollar and higher material or labor costs.

Color trends remained fairly constant, with white the favorite in all product categories.

Changes in color preferences were noted in kitchen appliances where the gap between white and the second choice, almond, widened to 56% and 31%, respectively.

While preference for white serving and buffet products and accessories remained constant at 36%, the mention of black at 15% was considered "noteworthy," said Adler.

The report is based on responses from 610 of 1,705 manufacturers attending the November 1985 NHMA Housewares Show, or 36% of all exhibitors.

Manufacturer's Housewares Sales by Outlet

	1985 Sales (in thousands)	1985 % of Total Industry Sales	1984 Sales (in thousands)	1984 % of Total Industry Sales	1983 Sales (in thousands)	1983 % of Total Industry Sales
RETAIL OUTLETS	$19,948,560	86%	$20,402,230	83%	$18,592,830	79%
Discount Dept. Stores	7,422,720	32	9,340,780	38	6,720,300	30
Catalog Showrooms	2,783,520	12	2,212,290	9	2,016,090	9
Department Stores	2,319,600	10	2,458,100	10	1,792,080	8
Drug Stores	1,623,720	7	1,229,050	5	1,120,050	5
Housewares/ Hardware Stores	1,391,761	6	737,430	3	1,120,050	5
Food Stores	1,159,800	5	1,720,670	7	1,344,060	6
Variety Stores	695,880	3	491,620	2	896,040	4
Mail Order	463,920	2	491,620	2	672,030	3
Home Centers	463,920	2	491,620	2	448,020	2
Buying Syndicates	*	*	245,810	1	224,010	1
All Others **	1,623,720	7	983,240	4	1,344,060	6
WHOLESALE OUTLETS	2,347,440	14	4,178,700	17	4,704,210	21

**Sales less than 0.5% of total* ***Includes membership warehouse clubs* *Source: B. Angell & Associates Inc.*

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CE Chains Slice Margins to Grow

(Continued from page 1)
trol promotion costs, put more emphasis on higher margin merchandise and hold the line on prices.

It may be too late, however, for Pacific Stereo which filed for Chapter 11 protection last month. At presstime, the majority of the $215 million chain's 64 stores remained closed; approximately 15 units were reopened to hold liquidation sales for the chain.

The outlook was much brighter for Crazy Eddie, whose net income rose 108% for the year and 115.8% for the fourth quarter ended March 2. Annual sales of $262 million were up 60% over last year.

As the chain grew from 15 stores to 23 over the year, it also was able to increase, not just maintain, margins.

"Gross profit margins during the generally favorable Christmas quarter rose to 29.6% from 25.2%," reported Eddie Antar, chairman and chief executive officer. Sales per square foot grew from $2,368 the previous year to $2,903 for the just-completed fiscal year.

Circuit City, based in Richmond, Va., has proven it is capable of generating solid earnings no matter how tough the market. Sales totalled $705 million, a 32% increase, while earnings went to $22 million, compared with $20.2 million the previous year.

Also during the period, the chain exited the highly competitive New York market to reapply its resources to expanding in the more lucrative Southern California area. The company had entered New York in 1984 with the purchase of the Lafayette chain.

The Federated Group, based in City of Commerce, Calif., is another sharp competitor for a share of the Southern California market. Its sales rose 58% for the year, to $364 million.

Earnings declined from $11.7 million to $10.7, however, in part reflecting the chain's aggressive expansion program which saw it grow from 20 to 60 stores in the last two years.

Powell said the chain will be more conservative in its future store openings but will not pass up opportunities that involve a new store.

To further build sales, particularly on higher margin big ticket items, Powell told *DSN* the chain will invest more time training new salespeople.

Baltimore-based Luskin's reported a net sales increase of 22% to $110 million for the fiscal year just ended. Net income, however, was relatively flat—advancing to $4.3 million, only a 1.3% increase.

Cary Luskin, president, said much of the sales increase came from 12 new stores opened during the year and from the recently acquired 11 Sound and Sight stores.

"Significant advertising and promotion campaigns relating to the company's penetration of new areas, as well as higher advertising outlays in existing areas," contributed to the profit decline, he said.

At Newmark & Lewis, another industry leader, net income for the year climbed 51% to $3.8 million. Sales of $142 million, a 26% increase, in part reflect the chain's growth from 25 to 34 stores.

For Dayton, Ohio-based Audio Video Affiliates, the year ended with sales of $181 million and earnings of 7.5 million, a 31% increase.

With 78 stores serving 15 states, analysts said the chain has achieved strong market position by making volume purchases at favorable prices.

Discounter DPP Model

(Continued from page 1)
& Gamble and Management Horizons.

The first fully working model is expected to be ready for testing this fall.

Convention goers, however, had mixed reactions to the presentation. Some were extremely enthusiastic about the program's potential impact on their businesses; others doubted the potential value could effectively be harnessed by a workable format.

Lucius Harvin III, chairman of Roses Stores and newly elected head of the NMRI board of directors, counselled that DPP "is not a panacea, but a great way to look at the business."

"It will help us get away from seat-of-the-pants decisionmaking," he said.

NMRI is planning to facilitate the industry's adoption of DPP with a series of training seminars (due to begin in November) and the formation of a Total Systems Efficiency Committee. The TSE committee will set the guidelines for future DPP research.

To create the current DPP model, which uses a Lotus 1 2 3 spreadsheet format, the task force:

- Selected two chains, Target and Zayre, to act as pilot sites;
- Defined the basic merchandise flows;
- Defined the data required to use the model;
- Defined two case studies and objectives—health & beauty aids and packaged children's wear;
- Gathered the data;
- Loaded the data into the model and tested the validity of the analysis.

The task force focused on only two product areas because a model that addressed all industry issues at once was impractical.

Chains See Good Year Ahead Based on Strong 1st Quarter

(Continued from page 3)
amounted to $2.3 bilion, up 4.2% from $2.2 billion. Net earnings showed a greater increase, up 9.1%, to $47.3 million from $43.4 million.

The company didn't break out sales for its Gold Circle discount store arm. However, according to Federated's chairman Howard Goldfeder, the January merger of Richway into Gold Circle had an "initial positive impact" on the company's results.

Goldfeder said enhanced growth in consumer demand is expected to return in the third quarter and accelerate through the Christmas season.

Results at Lucky Stores, which include the Gemco discount department store operations, countered the gains reported for most other retailers. Volume remained flat at $2.3 billion, while earnings slipped to $21.2 million from $24 million.

At Dayton-Hudson, parent of Target Stores, sales increased 10% to $2 billion from $1.8 billion, while earnings showed a greater gain, going up 18% to $38.6 million from $33.5 million.

The Target discount store division continues to be the leading sales producer for the company with $888.3 million in volume, up 6% from $837.8 million. The Mervyn's apparel store division showed the greater sales gain, jumping 17% to $579.9 million from $494.6 million.

May Department Store volume of $1.2 billion was up 10.9% from $1.1 billion, while net income rose 21% to $40.5 million from $33.5 million.

Venture discount store division sales rose 9.8% to $229 million from $208.6 million.

Zayre sales, excluding leased departments, rose 32.2% to $1 billion from $790.1 million. Net income of $16.7 milion was up 9.9% from $15.2 million.

President and chief executive officer Maurice Segall acknowledged that sales in the Zayre discount store division "were somewhat below expectations." He explained that the higher company sales "stemmed primarily from specialty division stores and our new operations, BJ's Wholesale Club and HomeClub."

Service Merchandise sales jumped 31.7% to $457.2 million from $347 million, but its loss increased to $27 million from $3.6 million. Chairman and president Raymond Zimmerman said the loss was due to a number of factors, including "continuing losses experienced by our Mr. HOW home improvement business."

Ames sales jumped 93.4% to $375.7 million from $194.3 million, mainly due to last year's takeover of G. C. Murphy. Earnings of $5.8 million were up 14% from $4.7 million. Toys "R" Us sales of $368.4 million were up 13% from $326.1 million. Earnings declined slightly to $10.3 million from $12.2 million.

Roses had $255.3 million in sales, an 18.8% increase from $214.9 million. Its earnings of $6.5 represented a 73.5% jump over $3.8 million.

Chairman and chief executive officer L. R. Harvin III said, "We expect 1986 to be a record year, but not at the rate of profit increase we obtained in the first quarter."

Jamesway sales of $118.5 million represented a 14.5% increase over $103.5 million. Earnings, however, slipped to $866,000 from $969,000.

PACE Membership Warehouse almost tripled sales to $108.3 million from $43.3 million. This helped the company turn a $1.1 million loss into earnings of $162,000.

Consolidated Stores almost tripled its sales. Volume reached $66.5 million from $27.8 million. Earnings more than doubled to $3 million from $1.2 million.

Pic 'N' Save, another closeouter, had $53.9 million in sales, a 13% increase from $47.6 million. Earnings went up 10% to $6.2 million from $5.7 million.

Warehouse Club sales jumped 83% to $36.2 million from $19.8 million, producing earnings of $7,000 against a $414,000 loss.

The Clothestime apparel specialty chain had $31.2 million in sales, up 13.2% from $27.6 million. Earnings outpaced the volume gain, jumping 32% to $1.8 million.

Answers: *1.b, 2.b, 3.b, 4.b, 5.a, 6.c, 7.c, 8.a, 9.c, 10.a*

Generic Toys Remain Strong

(Continued from page 2)
view each item and category to determine whether to cancel any orders.

Much of buyers' uncertainty is over the latest electronic toy technology and the accompanying high price points. Photon—an electronic version of a "capture the flag" game tied to Photon Centers cropping up around the country—will be priced at around $140 when it reaches stores this fall.

Electronic toys "will be a category to look at in the fourth quarter," said a buyer for a northwestern chain. "Nobody's got [Photon] yet. It's a new technology—it could be good or it could be real bad."

Not all the news about licensing, though, is bad. With sales spread among several licenses, the risk of overbuying—or missing the boat—on the one high flyer is reduced.

The situation also makes for a more stable buying plan. The Cabbage Patch phenomena of two years ago "hurt us because we had to plan following those items," said Feretti.

The future should be less risky and more predictable (relative to the licensing business) to plan for, he added.

"There won't be any great need or desire to buy 10, 12 or 14 Cabbage Patch dolls, or to buy all of the Transformers or all the G.I. Joe," added ALCO's Hayes.

ALCO will concentrate its licensed toy assortment on items priced at under $20 in plush, action figures and accessories. In plush, Popples and Pound Puppies are expected to remain strong through the year. The Rockers and My Little Pony are expected to be favorites in girls' toys, while G.I. Joe and Transformers are still on boys' wish lists.

Hayes pointed out none of these licenses are brand new, and several are gaining the status of a Snoopy or Walt Disney license, meaning it's inclusion in the mix is a given. "Some of them are getting to be almost 'generic,'" he said.

The chain is backing away from newer licenses like Wrinkles, Furskins and Fluppy Dogs, choosing instead to import plush items to offer at lower price points.

It's still up in the air as to whether some of the newer licenses can unseat the more established leaders in several toy categories. Hasbro is trying to gain market share in dolls with its trendy Jem doll, but Mattel's Barbie—after 25 years—is still the queen.

In the boys' category, Centurions is battling Masters of the Universe and Transformers. The action figures category is reaping surprising continued activity from the World Wrestling Federation's figures like Hulk Hogan.

K mart Denies Takeover

(Continued from page 1)
which sales went up 4.6% while earnings jumped 56.4%.

"In the period when the rumors occurred, most retailers, including K mart, lagged the market. Now they are catching up," a company spokesman said.

"We aren't aware of anyone accumulating large amounts of stock or making an offer to the company," he added.

Enough time has elapsed since the rumors began, for anyone who had acquired K mart stock in excess of 5% of the outstanding shares to have filed the necessary papers with the Securities and Exchange Commission. Stock purchases of less than 5% of the shares in any company's stock do not have to be reported to the SEC.

The spokesman acknowledged the heavy trading preceded the release of K mart's quarterly financial statement on May 21."The trading was investor reaction to the analysts' forecasts," he said.

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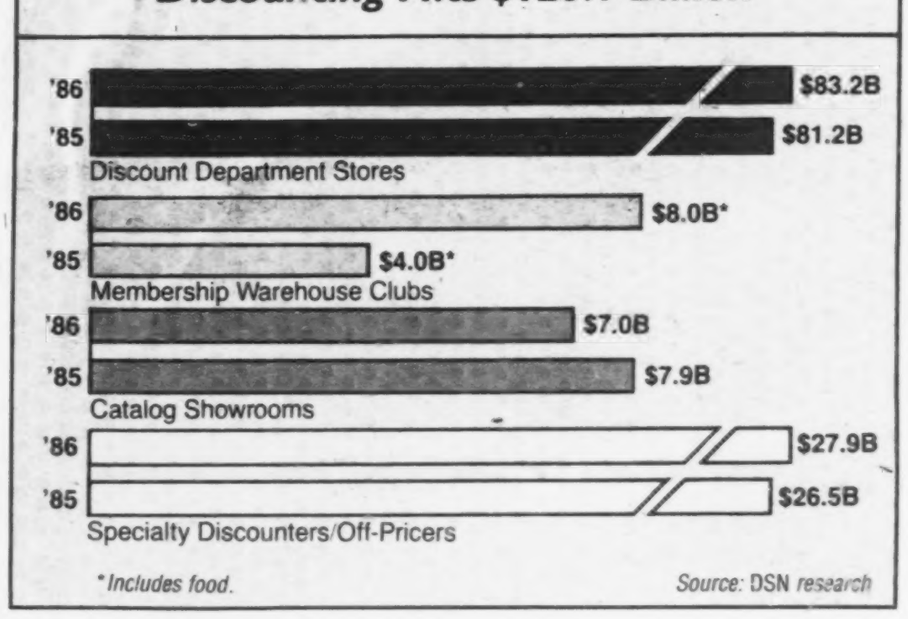
Discounting Hits $126.1 Billion



May's ADG Bid Shakes Up Market

Venture/Caldor Merger Looms

By IRIS S. ROSENBERG

ST. LOUIS — If May Dept. Stores can close the deal, it's proposed bid for Associated Dry Goods could create the biggest upscale discount store chain in the Eastern half of the country.

The new chain would be formed from May's 65-store Venture chain and ADG's 118-unit Caldor operation. With Caldor's strength in East Coast markets extending from New Hampshire to Virginia and Venture covering the Midwest from Chicago to Oklahoma City, the new chain would cover a substantial portion of the country's top metro markets.

The move would create the second largest upscale discounter after Target Stores, and the fifth ranked discount department store chain. It would also add lucrative Northeast markets now missing from May's portfolio.

The underlying assumption of most trade observers: If the deal goes through, May will eventually elect to merge the headquarters and field staff organizations now serving each chain.

The bid further signifies a new stage in the consolidation of the retail industry: Successful retailers are willing to pay top dollar to fuel their expansion plans with healthy, on-going operations.

While the takeover negotiations between May and ADG

(Continued on page 144)

Merger Would Tip Upscale Chain Balance

May's ADG bid could create a $2.3 billion Venture/Caldor giant that would most threaten two other Eastern U.S. upscalers: Gold Circle/Richway and Bradlees.

Discount Industry Sales To Post 9% Gain in '86

Nationwide DSN Report

Discounters will capture a $126.1 billion share of the retail market this year, a 9% advance over last year. Much of that growth will come from the membership warehouse club operators.

Sales volume for this fast growing retail format is anticipated to reach $8 billion by year end, and $20 billion by the end of the decade.

Overall, the current year will prove a modest one for discount department stores, with sales expected to total $83.2 billion by the end of December—a 2.5% increase over last year.

This growth rate reflected the continuing consolidation of the industry and the maturing of the existing operations.

Among the major changes reflected in the rankings on this year's top 100 list were Federated Department Stores merger of its two dis-

(Continued on page 21)

Two Zayres To Feature Health Care

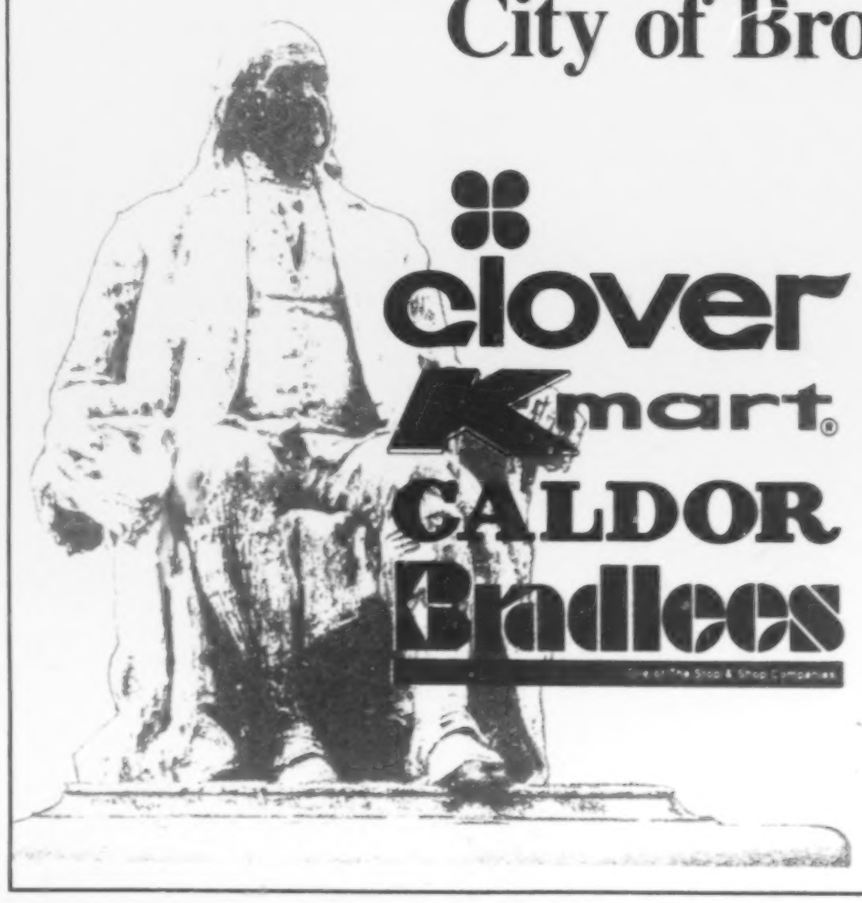
FRAMINGHAM, Mass. — Zayre will open primary-care medical offices in two inner-city Chicago stores next month to further serve its lower-income customers.

The Family Health Corners, as they will be called, will be operated by Chicago's Mount Sinai Hospital. The hospital has leased about 1,000 sq. ft. of space in each of the two stores, one on South Halstead Avenue and the other on North Ashland Avenue, said Stanley Berkovitz, vice president of consumer and community affairs for Zayre.

"We feel we can offer good medical care at prices that will be very beneficial to the consumer," said Berkovitz. He added that the location of the

(Continued on page 144)

Discount Chains Set to Battle for City of Brotherly Love



PHILADELPHIA — The City Of Brotherly Love, for years among the most stable and predictable markets, promises to be the latest battle ground in the discount department store wars.

Currently served by 39 K mart stores and 16 Clover stores, the market pegged by a K mart executive to grow by just 5% per year is about to feel the full market forces exerted by Caldor and Bradlees, themselves in the throes of change.

Bradlees has retrenched, backing away from the "department store with a difference" crusade, attendant with prices that pushed retails beyond the limits of even upscale discounting.

(Continued on page 143)

Feds Set Plan To Black Out Gray Market

WASHINGTON — The Reagan Administration, under pressure from multinational manufacturers, has proposed new rule changes which could significantly reduce industry sales of "gray market" imports.

If adopted by the United States Customs Service, the new and controversial White House plan (devised to resolve "economic problems allegedly created by parallel imports") could effectively eliminate hundreds of millions of dollars of savings currently available to American consumers who purchase so-called "gray market" merchandise.

In a notice seeking public comments, Customs officials announced that two separate

(Continued on page 143)

Discount Industry Annual Report— Pages 19-28

Top 100 Discount Chains— Page 23

Key Merchandising Dept. Analyses— Pages 79-128

NEED
MONEY
FOR COLLEGE?

Marshalls Inc. Division of MELVILLE CORPORATION
Marshalls

Marshalls is offering college tuition aid for up to two approved business and/or retailing courses per semester to part-time employees in an effort to attract and retain workers.

New Plan

Marshalls to Offer Tuition Assistance

WAKEFIELD, Mass.—Marshalls is hoping to lure store level employees by promising to help finance their college educations.

Although the unconventional pilot project took off in limited markets starting June 1, the actual impact will not become evident until this fall, when schools officially reopen. That is also the point when some of the newer employees will have fulfilled the three-month qualifying period, explained Kathy Giles, director of benefits for the national chain.

Giles helped draw up the tuition reimbursement plan for part-time employees, which she said is the only such program any American retailer currently offers part-timers.

To qualify, employees have to work at Marshalls a minimum of 16 hours a week. Those who have been employed for three months are eligible for 50% reimbursement. After a year, Marshalls will pay 100% for job related courses or any course required for a degree in business or retailing.

Although Giles admitted the program is "not for people who are majoring in archeology," the goal is to sweeten the appeal of taking a job at Marshalls.

"We are experiencing the same problems getting and keeping store-level people that everyone else is," Giles said. With tuition payments added to benefits such as flexible hours and employee discounts, the chain is hoping to attract college-bound high school seniors, current college students and even housewives who might want to go back to school.

"We're looking for long-term benefits for the company in terms of people," she said. The cost of the program won't become evident until the response rate can be tracked, she added.

The pilot project includes selected stores in states including California, Michigan, Colorado, Louisiana, Minnesota, Illinois, Missouri, Texas, Virginia, Maryland, Florida, Connecticut, Georgia, New Hampshire, New Jersey, New York and Massachusetts. According to Giles, store managers and regional managers were asked to pick areas where staffing was needed and also where colleges were located.

The program was kicked off last month with ads in local newspapers, mass mailings to financial aid offices at local colleges, in-store posters and bag stuffers sent home along with customers' purchases.

Another ad blitz is planned for September, according to Giles. High school guidance counselors are expected to become involved with the program at that point.

Although it was too early to gauge at presstime, Giles was sure that the program had made an impression on one group. "We've gotten an awful lot of calls from the parents of students who are interested in getting their kids a job," she said.

Bay State Consumer Advocates Draft Tougher Retail Ad Guidelines

WASHINGTON — Consumer protection officials in Massachusetts have drafted controversial new restrictions on the use of comparative "reference prices" in retail advertising. A move that industry lobbyists warned may cause radical changes in discount chain promotional practices.

Although the new regulations developed by the state's attorney general would apply only in Massachusetts, Association of General Merchandise Chains president Edward T. Borda charged that the reference price restrictions could have a chilling effect on discount advertising nationwide.

If adopted in their current form, the regulations would make it "impossible for national advertising campaigns to offer customers useful price comparisons," Borda told Massachusetts officials.

Although AGMC raised a series of concerns about the pending state proposal, the association's major worry is that national and multi-state chains would be forced to either prepare special advertisements, sales flyers and catalogs for Massachusetts, or discontinue using comparative prices altogether.

As presently drafted, the pending state regulations would prohibit the use of any reference price (e.g. "regularly $9.99" or "reduced from $2.79") unless the advertised merchandise was actually offered for sale by the advertiser at that price in the state of Massachusetts.

Such a requirement, which according to AGMC would be a major problem for most large chains, appears to conflict directly with similar "reference price" advertising guidelines developed by the Federal Trade Commission.

Those FTC rules acknowledge that an advertiser "who does business on a large regional or national scale cannot be required to police or investigate in detail the prevailing prices of his articles throughout so large a trade area."

Under the Federal guidelines, if the advertiser uses a "preticketed" or "list" price to indicate the savings available on a sale item "in good faith (i.e., as an honest estimate of the actual retail price) which does not appreciably exceed the highest price at which substantial sales are made in his trade area, he will not be chargeable with having engaged in a deceptive practice."

While the nation's discounters have found those Federal groundrules to be workable, the more stringent restrictions under consideration in Massachusetts would "render it virtually impossible for nationally or regionally advertising retailers to advertise price comparisions in the Commonwealth," AGMC's Borda charged in comments to the state attorney general.

Rather than undertake the expense and administrative problems of developing separate advertising for Massachusetts, he warned, "national advertisers may well decide to end or reduce advertising that brings price information to consumers in the state."

AGMC has not been alone in raising serious objections to the pending Massachusetts comparative ad price proposal—officials at the state retail merchants association have voiced similar concerns, warning Massachusetts regulators that the plan could have widespread impact on catalog retailers as well as discounters.

In fact, officials at the state association warned the attorney general that even the venerable Sears mail order catalog would be illegal in Massachusetts if the new regulations are implemented.

Even independent retailers and small chains operating solely in Massachusetts would find it difficult to comply with the proposed rules because of a variety of burdensome restrictions and requirements.

Among other things, the pending regulations would:

- Require price disclosures in at least 7 point type;
- Establish special new disclosure burdens for television advertisers in the state, and
- Cause separate problems for retailers advertising credit sales.

Two Chains Make Exec Suite Changes

Nationwide DSN Report

Cataloger Best Products and membership warehouse The Warehouse Club have made major executive changes.

Richmond-based Best has dismissed executive vice president Bernard A. Cohen, who was president of the retailing group that was composed of the Best showroom chain, along with Ashby's ladies apparel specialty stores and Best Jewelers. Best had incurred flat sales and poor earnings last year due to its struggling catalog operation and reported a loss for this year's first quarter.

James T. McKitrick

Bernard A. Cohen

Best president and chief operating officer Robert E. R. Huntley has assumed Cohen's duties, which include overseeing merchandising, marketing, operations and planning. The Niles, Ill.-based Warehouse Club has named James T. McKitrick, formerly a top executive at discounter T. G. & Y., as the membership warehouse's president and chief executive officer.

McKitrick succeeded Walter Teninga, formerly a top K mart executive who founded the membership warehouse four years ago. Teninga continues as chairman.

McKitrick also joined the company's board, filling the vacancy created when Russell A. Hansen resigned.

McKitrick had been T. G. & Y.'s executive vp and general merchandise manager. Prior to joining that discounter, he had been with K mart as director of merchandising.

W. Tynan Brown as joined the Warehouse Club as assistant to the chairman. He had been a labor attorney with K mart.

Plan Gives Cook Creditors Control

CLEVELAND — Cook United has filed an amended reorganization plan which would give creditors controlling interest in the company with 79.5% of the stock.

That company had first filed for protection under Chapter 11 in October 1984 and is expected to emerge from bankruptcy this September.

Geoffrey Lurie, president of Cook since last September, is spearheading the reorganization of the company. The retailer operates 41 discount stores under the Rink's and Cook's nameplates.

Under the new plan, funding of the reorganized company would come from unsecured creditors who would receive common stock in lieu of cash payments.

The second part of the funding, bank commitments for approximately $32 million, will be provided by Chemical Bank and by a bank group, headed by AmeriTrust Co. N.A.

The remaining stock will be divided: 7% will go to present shareholders; 12.5% to Retail Strategies (the company organized by Lurie and New York financier Al Roth to effect a reorganization of Cook), and another 1% will go to union employees.

The reorganized company will issue 10 million shares at time of confirmation and will be worth approximately $8 million.

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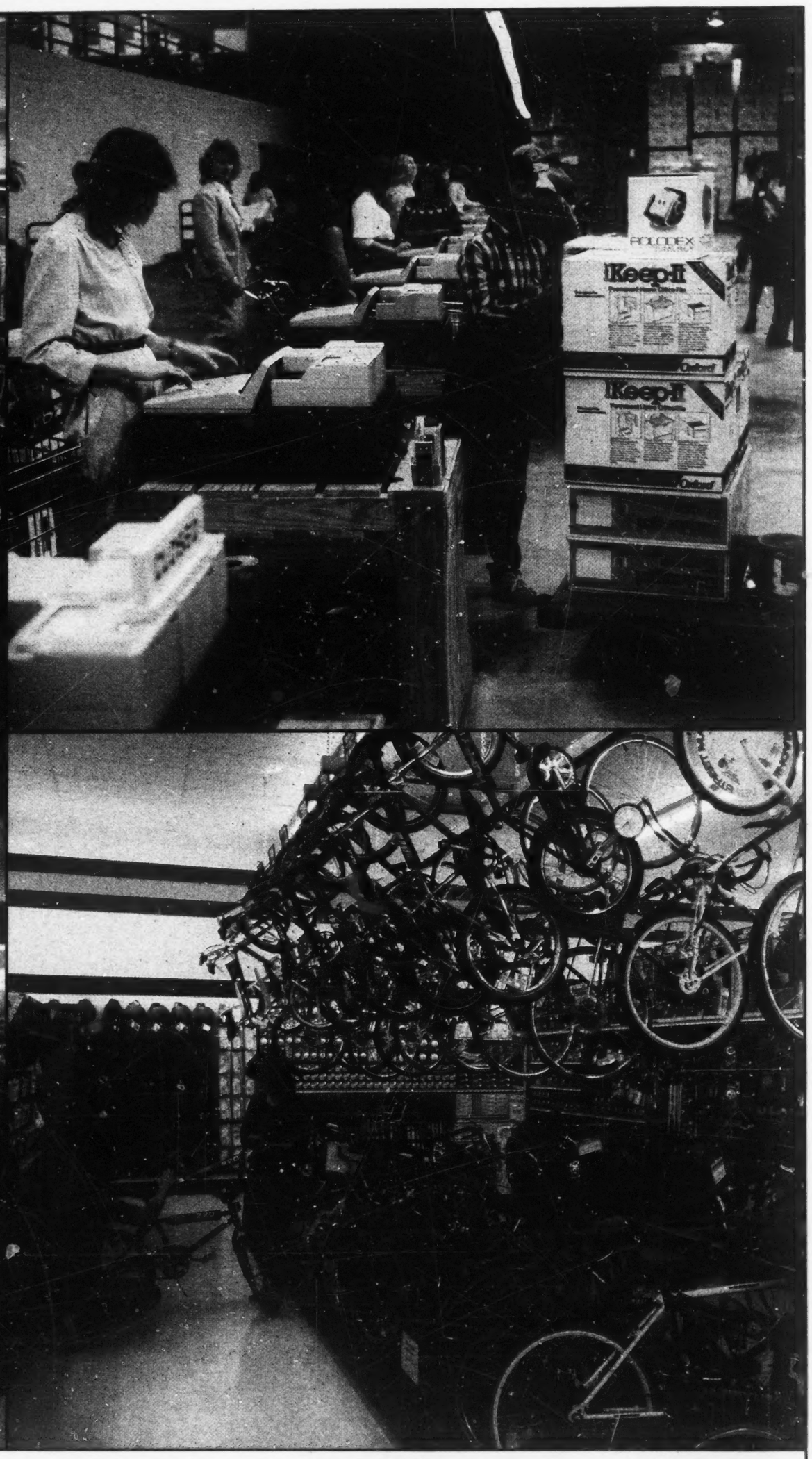
Annual Industry Report



Discounters to Ring Up $126.1 Billion in 1986

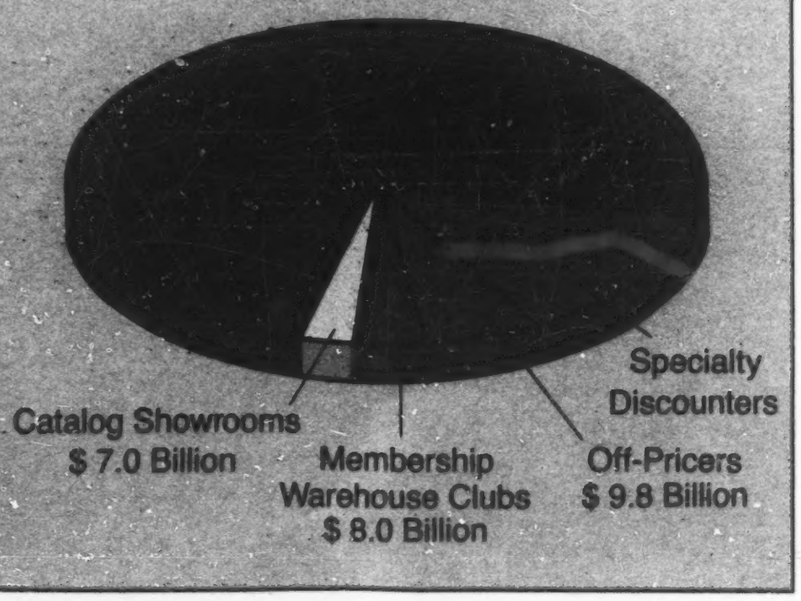
Total discount industry sales will advance 9% to $126.1 billion by the end of this year, according to the *Discount Store News* annual report.

The lion's share of that growth will be generated by the membership warehouse club operations which will close the year with about $8 billion in volume.

More modest advances will be posted by the discount department store chains (2.5%) and specialty discounters (5.4%).

The year's losers will be the catalog showrooms which will see total sales decline from $7.9 billion to $7 billion.

Discount Industry Segment Sales



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Full Liners to Post Modest 2.5% Sales Gains in '86

(Continued from page 1)
count department store divisions, Gold Circle and Richway; Ames' buyout of the G. C. Murphy company, and the closing of the T. G. & Y., Zodys and Jefferson Ward operations.

On the plus side, the largest discount department store operations continued with their store opening plans.

Wal-Mart, with sales of nearly $8 billion, has planned to open another 125 stores this year, consistent with its annual unit growth rate of the past several years. Target has announced its plan to roll out about two dozen more units. And third ranked Zayre has earmarked funds for 25 more units through the end of its current fiscal year.

In merchandising, ladies' wear continued to generate the greatest share of the discount department store's volume. According to *DSN* estimates, those departments will ring up $15.3 billion sales this year, which is 12.1% of total full liner sales and a 2% volume increase over last year.

The full line chains are also expected to post a 2.3% sales increase in men's/boys' wear, to nearly $9 billion in sales by year end. The third top performing category, non-electric housewares, will generate an additional 3% in sales, or about $6.8 billion in volume.

These three categories accounted for 25% of full line discounters' sales.

The success of the membership warehouse industry may be attributed to a combination of new store growth and the maturing of units opened during the previous two years.

Price Club, the $1.8 billion industry leader, has planned to have 34 units in operation by the end of this year—an increase of 15 stores in two years that helped move the chain into the No. 8 position on the top 100 list of discounters.

Sam's Wholesale Club, the $777 million division of Wal-Mart, planned to expand to 41 stores by year end, nearly double the 23 units it had opened by last year—its second in operation.

The two clubs captured about a third of the membership warehouse market.

In contrast, the year has further eroded sales in the catalog showroom market.

Sales in that sector are projected to drop 11% to $7 billion. The number of catalog showroom chains continued to shrink, as the one- and two-showroom operations closed their doors. This consolidation further strengthened Service Merchandise's and Best Products' grip on the business: By the end of the year, those firms will account for about 64% of total industry sales.

Growth for off-price and specialty stores has stablilized over the past year: Sales for the off-price segment, which has just emerged from a shakeout, are projected to rise 5.4% this year to $9.8 billion.

Specialty discounters, including automotives, toys, sporting goods and consumer electronics operations, have projected sales increases of 5.2%, about $18 billion.

The two leaders in the off-price industry, Marshalls and T. J. Maxx, have turned to new prototypes and improved presentations to sharpen their competitive edge.

The $1.3 billion Marshalls unveiled its new prototype in two Massachusetts stores last April. The new design broke men's, women's and children's apparel into smaller classification departments. The design was calculated to help move shoppers through the store quickly and easily.

The country's second largest off-pricer, Zayre Corp.'s T. J. Maxx chain launched its prototype last year, introducing freestanding walls (into its previously piperack only sales floor) to aid merchandise presentations.

Ross Stores, the third ranked off-price chain, continued on an expansion track with plans to add 45 stores in the current fiscal year.

Toys "R" Us, the $2 billion powerhouse specialty toy chain, is poised for further expansion with plans to grow by 61 stores to a total of 340 stores by the end of the year. Its closest rival, Child World, also had a strong year, posting sales increases of almost 18% to $513 million for the current fiscal year. However, its growth plans were more modest; the chain intends to increase its store count by 15 units for a total of 136 stores this year.

In the automotive specialty market, the privately owned Western Auto network of franchised and company owned stores continued to dominate the field, with estimated sales of $725 million for the current fiscal year.

Consumer electronics chains just closed the books on a strong year—Circuit City and Highland reported sales increases of 36% and 45% respectively. But international currency fluctuations, which weakened the dollar's strength against the Japanese yen, and a noticeable lack of new product categories may have taken some of the wind out of the segment's sails.

Without a shelf full of new products to win consumers, chains have been playing a tougher game of new territory warfare.

Circuit City, for example, which reported $705 million in sales last fiscal year, has begun making an even more aggressive bid for market share in Southern California, Richmond, Va. and Atlanta.

The forays on the West Coast will pit the chain against the market dominator, The Federated Group, in Los Angeles.

Sporting goods chains, which have had a relatively steady but unexceptional growth pattern in recent years, have expected a surge in sales this year from an increase in domestic vacationing. Lower gasoline prices and Americans' current fear of travel abroad are expected to have a beneficial effect on the sporting goods specialists' bottom lines.

Full Line Discounters' Sales to Hit $83.2B

Year	Total Sales in Billions	Total Stores	Net Gain (Loss) of Stores	Total Sq. Ft. in Millions	Dollars Per Sq. Ft.	Avg. Sales Per Store in Millions	Avg. Store Size in Thousands Sq. Ft.
1986**	$83.20*	8,272	111	621	$137.29*	$10.10*	75.10
1985	81.20*	8,161	52	606	134.68*	9.95*	74.25
1984	79.20*	8,109	(108)	604	131.19*	9.76*	74.44
1983	73.30*	8,217	(65)	579	126.51*	8.92*	70.51
1982	66.60*	8,282	118	584	114.05*	8.04*	70.50
1981	66.60	8,164	428	576	115.58	8.15	70.58
1980	60.50	7,736	470	546	110.79	7.82	70.60
1979	55.00	7,266	375	513	107.15	7.57	70.60
1978	50.00	6,891	353	490	101.95	7.26	71.11
1977	47.00	6,538	396	468	100.00	7.19	71.58
1976	44.00	6,142	606	442	99.00	7.16	71.96
1975	38.00	5,536	126	399	95.00	6.86	72.07
1965	9.82	2,448	219	151	65.00	4.01	61.68

*Doesn't include sales from discounter supermarkets.
**Most recently completed fiscal year.

Source: DSN research

Apparel to Fashion 30% Share of Full Liner 1986 Sales

Nationwide DSN Report

The ladies' and men's wear departments will generate nearly one third of full line discount department store volume by year end.

Together the two areas, which occupy a total of nearly 18,000 sq. ft. of selling space, will ring up nearly $25 billion in sales, or 30% of total full line discount department store sales.

On the hard lines side of the store, housewares, including personal care and traffic appliances, are due to make the next largest revenue contribution.

Riding the crest of a wave of consumer enthusiasm for the various lifestyle and home entertainment categories, these heavily fashion influenced departments will generate more than $11 billion in sales by the end of the holiday selling season.

Full Line Discount Store Productivity

Category	Discount Volume (in Billions)	Sales Per Store (in Thousands)	Dept. Size Sq. Ft.	Annual Sales/ Sq. Ft.	Annual Turns	% Initial Markup	% Gross Margin
Ladies' Wear	$15.3	$1,850	10,000	$185.00	5.0	48.9	30.2
Men's/Boys' Wear	8.9	1,076	7,710	139.56	3.3	46.5	34.4
Housewares	6.8	822	5,760	142.70	3.3	42.2	32.3
Consumer Electronics	6.3	762	2,300	331.30	3.1	31.0	18.9
Health & Beauty Aids	5.8	701	3,140	223.25	4.7	25.3	19.6
Automotives	5.4	689	2,320	296.88	2.6	34.1	25.7
Hardware	5.0	604	3,240	186.42	2.3	39.8	29.1
Toys	4.4	532	2,560	207.81	2.7	36.8	27.8
Sporting Goods	4.0	484	2,500	193.60	2.0	37.5	29.2
Domestics	3.6	435	3,150	138.10	2.5	44.5	34.9
Photo/Camera	3.3	399	675	591.11	3.1	25.6	18.4
Personal Care Electrics	2.8	338	800	422.50	3.5	30.6	21.4
Stationery	2.3	278	1,875	148.26	3.5	47.4	41.6
Electric Housewares	1.7	206	850	242.35	3.5	31.7	21.3
Paint	1.6	193	1,200	160.83	2.5	43.8	36.3
Jewelry	1.5	181	595	304.20	2.1	49.2	40.6

Source: DSN research

The Discount Industry's Top 100 Chains

Rank	Chain (HQ state)	Volume in Millions: General Merchandise Last Fiscal Yr.	Volume in Millions: General Merchandise Previous Fiscal Yr.	Net Earnings (Loss) in Millions: Last Fiscal Yr.	Net Earnings (Loss) in Millions: Previous Fiscal Yr.	No. of Stores: 1/86	No. of Stores: 12/86	No. of Stores: To Be Added, 1987	Net Selling Space (Sq. Ft.) (Add 000): 1/86	Net Selling Space (Sq. Ft.) (Add 000): 12/86	Net Selling Space (Sq. Ft.) (Add 000): To Be Added, 1987
1	K mart (Mich.)	$20,775*†[A]	$21,040*†[A]	$1,058.0**	$1,101.0**	2,180	2,212	35	130,800	132,700	2,100
2	Wal-Mart (Ark.)	7,674†	6,268†	327.5	270.8	859	974	115	43,833	53,570	6,325
3	Target (Minn.)	3,932	3,550	277.8**	235.6**	226	247	NA	22,414	24,497	NA
4	Zayre (Mass.)	2,638†	2,196†	141.9**	122.2**	337	362	NA	17,907	19,235	NA
5	Service Merchandise (Tenn.)	2,247*†	1,607*†	10.7	44.6	287	302	NA	5,800	6,040	NA
6	Best Products (Va.)	2,192†	2,218†	7.1**	30.4**	213	212	NA	6,390	6,360	NA
7	Toys "R" Us (N.J.)[B]	1,976	1,701	119.8	111.4	246	340	70	6,725	8,500	1,750
8	Price Club (Calif.)	1,834[C]	1,141	46.0	28.6	24	34	10	2,160	3,060	900
9	Bradlees (Mass.)	1,620	1,404	30.7**	85.2**	157	162	NA	11,280	11,502	NA
10	Ames (Conn.)	1,513[D]	822	40.4	28.5	306	326	NA	15,300	16,300	NA
11	Caldor (Conn.)	1,338*	1,257*	NA	NA	109	118	NA	8,720	9,440	NA
12	Marshalls (Mass.)	1,324	1,190	NA	NA	236	266	30	7,080	7,980	900
13	Hills (Mass.)	1,320*[E]	1,170	NA	89.1	125	136	10	8,193	8,872	650
14	Gemco (Calif.)	1,287*	1,247*	15.9**	22.8**	80	80	4	6,638	6,638	450
15	Gold Circle (Ohio)	1,058[F]	1,060	39.0**	31.8**	76	76	NA	7,434	7,434	NA
16	Roses (N.C.)	1,009	927	20.3	23.9	204	204	NA	8,160	8,160	NA
17	Venture (Mo.)	1,004	915	58.0**	49.8**	62	66	NA	5,456	5,808	NA
18	Fred Meyer (Ore.)	1,004*	860*	NA	NA	94	94	3	9,212	9,212	294
19	Pay Less (Ore.)	1,003*	920*	NA	NA	183	224	NA	9,150	11,200	NA
20	Meijer (Mich.)	1,000*	960*	NA	NA	54	57	NA	6,172	6,515	NA
21	T. J. Maxx (Mass.)	850*	636*	88.8**[G]	64.2**[G]	191	284	90	4,584	6,816	2,160
22	Sam's Wholesale Club (Ark.)	777	222	NA	NA	23	41	20	2,070	3,690	1,800
23	ShopKo (Wis.)	754	610	41.3**	31.7**	58	68	NA	3,775	4,426	NA
24	Western Auto (Mo.)	725*[EH]	698	NA	30.1	2,269	2,269	NA	1,379[H]	1,379	NA
25	Circuit City (Va.)	705	519	22.0	20.2	70	90	90	550	800	800
26	Dollar General (Ky.)	584	481	17.8	20.6	1,278	1,338	NA	7,285	7,627	NA
27	Fedco (Calif.)	555*	540*	NA	NA	8	8	NA	675	675	NA
28	Jamesway (N.J.)	542	493	9.3	13.3	91	106	NA	5,290	6,148	NA
29	Alexanders (N.Y.)	520*[I]	520	NA	5.0	15	14	0	2,990	2,890	0
30	Highland (Mich.)	520	359	22.6	14.8	40	46	NA	600	920	NA
31	Child World (Mass.)	513	436	NA	NA	121	136	NA	3,025	3,400	NA
32	Silo (Pa.)	472	330	NA	NA	111	120	NA	2,220	2,400	NA
33	Heck's (W. Va.)	468†	410†	(0.2)**	(6.0)**	166	172	NA	5,810	6,020	NA
34	Pamida (Neb.)	460	451	NA	NA	160	169	NA	3,627	3,800	NA
35	Herman's (N.J.)	420	368	NA	14.7	131	131	NA	1,336	1,336	NA
36	Family Dollar (N.C.)	410	341	28.0	23.6	986	1,180	NA	6,902	7,700	NA
37	Kay Bee (Mass.)	401	347	NA	NA	584	637	50	2,044	2,230	175
38	Howard Bros. (La.)	400*	320*	NA	NA	89	89	NA	4,330	4,330	NA
39	Pep Boys (Pa.)	389	348	21.1	18.3	159	186	NA	3,200	3,720	NA
40	Ross Stores (Calif.)	376	211	7.1	6.7	107	153	NA	3,210	4,590	NA
41	The Federated Group (Calif.)	364	230	10.7	11.7	59	67	NA	1,155	1,395	NA
42	ALCO (Kan.)	363*[E]	364	NA	4.8	150	150	NA	3,960	3,960	NA
43	Burlington Coat (N.J.)	352[O]	310	16.1	16.5	74	80	NA	4,292	4,640	NA
44	Lechmere (Mass.)	349	280	NA	NA	10	17	NA	1,154	1,679	NA
45	Loehmann's (N.Y.)	323*	308*	NA	NA	81	94	NA	1,215	1,410	NA
46	Consumers Distributing (N.J.)	312[P]	261	(2.0)**	(1.3)**	89	90	0	223	225	NA
47	Oshman's (Tex.)	312	304	8.5	10.1	209	215	NA	1,790	2,000	NA
48	S. E. Nichols (N.Y.)	310	294	4.4	6.3	44	46	2	3,300	3,500	200
49	Costco (Wash.)	309[J]	144	1.8	(2.4)	21	31	10	1,890	2,790	900
50	Hit or Miss (Mass.)	300*	291*	88.8**[G]	64.2**[G]	428	468	NA	1,712	1,872	NA
51	Makro (Ohio)	300*	250*	NA	NA	4	4	2	750	750	375
52	OTASCO (Okla.)	288*[H]	300*	NA	NA	579	579	NA	6,325[H]	6,325	NA
53	Lucky Auto Div. (Ariz.)	280*	275*	NA	NA	376	380	NA	1,352	1,404	NA
54	Pic 'N Save (Calif.)	278	232	41.1	36.5	90	94	9	1,425	1,485	142
55	PACE (Colo.)	275	76	(7.5)	0.6	16	25	10	1,440	2,250	900
56	TSS-Seedman's (N.Y.)	275*	275*	NA	NA	21	21	NA	1,589	1,589	NA
57	Clover (Pa.)	273*	250*	NA	NA	20	21	NA	1,289	1,354	NA
58	Value City (Ohio)	265*†[K]	253†	NA	13.7	38	41	NA	2,037	2,488	NA
59	Crazy Eddie (N.Y.)	262	136[L]	13.2	5.9	23	30	4	920	1,200	16
60	Cook United (Ohio)	257[M]	311	(30.8)	(25.3)	49	41	NA	2,744	2,173	NA
61	Sizes Unlimited (N.J.)	254*	281*	NA	NA	255	255	NA	893	893	NA
62	Lionel Leisure (Pa.)	246	225	1.9**	2.1**	56	68	NA	1,624	1,970	NA
63	Fishers Big Wheel (Pa.)	245*	237*	NA	NA	81	84	NA	3,078	3,192	NA
64	Bi-Mart (Ore.)	232	149	0.9	1.3	33	36	NA	990	1,080	NA
65	Syms (N.Y.)	215	204	12.7	12.7	15	19	NA	630	798	NA
66	Ann & Hope (R.I.)	215*	215*	NA	NA	6	6	NA	900	900	NA
67	BJ's Wholesale Club (Mass.)	215*	40*	NA	NA	8	16	10	720	1,440	900
68	Fretter (Mich.)	214	152	18.5	7.2	39	51	NA	546	714	NA
69	Filene's Basement (Mass.)	213	189	NA	NA	17	23	NA	510	690	NA
70	Chief Auto (Tex.)	203*	169*	NA	NA	444	475	NA	1,643	1,758	NA
71	Pacific Stereo (Calif.)	200*[M]	215*	NA	NA	64	NA	NA	295	NA	NA
72	Nationwise (Ohio)	190*	150*	NA	NA	160	180	NA	1,568	1,710	NA
73	Gee Bee (Pa.)	185*	178*	NA	12.7	21	21	NA	1,659	1,659	NA
74	Brendles (N.C.)	184	146	6.6	8.8	31	35	3	868	980	84
75	Audio-Video Affiliates (Ohio)	182	119	7.5	5.7	78	100	NA	780	1,000	NA
76	Harts (Ohio)	181[C]	159	8.7**	5.1**	27	27	NA	1,302	1,302	NA
77	Big 5 (Calif.)	175*	165*	NA	NA	89	89	NA	890	890	NA
78	Price Savers (Utah)	175*	140*	NA	NA	5	10	5	450	900	450
79	Grand Auto (Calif.)	168	154	2.6	4.9	113	113	NA	1,035	1,035	NA
80	Consolidated Stores (Ohio)	163	33[N]	20.9**	4.5**	115	170	50	2,875	4,250	1,250
81	Danners (Ind.)	160	165	(0.5)	0.4	35	35	NA	1,488	1,488	NA
82	Quality Stores (Mich.)	160	138	NA	NA	42	42	0	837	837	0
83	Designer Depot (Mich.)	156*	131*	NA	NA	73	93	25	1,606	2,046	550
84	Rich's (Mass.)	156	143	NA	NA	17	19	NA	868	969	NA
85	W. Bell (Md.)	145*[K]	148	NA	1.5	21	23	2	210	230	20
86	Newmark & Lewis (N.Y.)	142	112	3.8	2.5	34	40	NA	340	400	NA
87	Dress Barn (Conn.)	135*[I]	103	NA	5.3	186	250	50	856	1,150	230
88	United Jewelers (Tex.)	135[C]	139	(1.2)**	10.7**	58	61	3	1,450	1,525	75
89	Sportmart (Ill.)	129*	123*	NA	NA	12	12	NA	360	360	NA
90	Prange Way (Wis.)	128	128	NA	NA	20	20	0	912	912	0
91	Clothestime (Calif.)	127	98	10.0	3.3	190	262	80	760	1,048	320
92	Perry Auto Works (Calif.)	127	81	NA	NA	176	176	NA	1,375	1,375	NA
93	Chaffin (Kan.)	125	125	NA	NA	31	31	NA	950	950	NA
94	Value Club (Tex.)	125*	95*	NA	NA	6	6	NA	510	510	NA
95	Smitty's (Ariz.)	124*	120*	NA	NA	20	20	NA	1,600	1,600	NA
96	Jewelcor (Pa.)	124†	128†	3.9**	6.5**	22	22	NA	438	438	NA
97	Sky City (N.C.)	118*	118*	NA	NA	73	73	NA	2,555	2,555	NA
98	Sunset Sports (Utah)	116*	110*	NA	NA	40	40	NA	600	600	NA
99	Modell's (N.Y.)	114*	110*	NA	NA	6	6	NA	675	675	NA
100	Swallen's (Ohio)	112*	108*	NA	NA	9	9	NA	855	855	NA

*DSN estimate **Operating income
[A]U.S. & Canadian K marts only.
[B]Total corporate volume; stores are Toys "R" Us only.
[C]For fiscal year ended 8/85.
[D]Includes G. C. Murphy acquired 6/85.
[E]Company now privately held.
[F]Includes Richway.

†Discount department store or catalog showroom sales only.
[G]Operating income for Zayre's apparel specialty stores.
[H]Includes sales from company-owned stores & wholesale sales to franchisees; square footage for company-owned stores only.
[I]For fiscal year ended 7/86.
[J]For fiscal year ended 9/85.
[K]For fiscal year ended 6/86.

NA—Not available
[L]9-month fiscal year ended 3/85.
[M]Operating under Chapter 11.
[N]4-month fiscal year ended 2/85.
[O]For fiscal year ended 10/85.
[P]In Canadian dollars.

Source: DSN research

Specialty Discounters To Generate $18.1 Billion in '86 Sales

The Top 25 Specialty Chains

Rank	Chain	Sales (in Millions) Last Fiscal Year	Sales (in Millions) Previous Fiscal Year	Number of Stores 1/85	Number of Stores 1/86	Number of Stores 1/87
1	Toys "R" Us (N.J.)[A]	$1,976	$1,701	199	246	340
2	Marshalls (Mass.)	1,324	1,190	209	236	266
3	T. J. Maxx (Mass.)	850*	636*	156	191	284
4	Western Auto (Mo.)	725*[B,C]	698	2,269	2,269	2,269
5	Circuit City (Va.)	705	519	93	70	90
6	Highland (Mich.)	520	359	32	40	46
7	Child World (Mass.)	513	436	104	121	136
8	Silo (Pa.)	472	330	97	111	120
9	Herman's (N.J.)	420	368	115	131	131
10	Kay Bee (Mass.)	401	347	535	584	637
11	Pep Boys (Pa.)	389	348	135	159	186
12	Ross Stores (Calif.)	376	211	66	107	153
13	The Federated Group (Calif.)	364	230	43	59	67
14	Burlington Coat (N.J.)	352[D]	310	68	74	80
15	Loehmann's (N.Y.)	323*	308*	72	81	94
16	Oshman's (Tex.)	312	304	184	205	215
17	Hit or Miss (Mass.)	300*	291*	401	428	468
18	OTASCO (Okla.)	288*[C]	300*	550	579	579
19	Lucky Auto Div. (Ariz.)	280*	275*	459	376	380
20	Crazy Eddie (N.Y.)	262	136[E]	14	23	30
21	Sizes Unlimited (N.J.)	254*	281*	349	255	255
22	Lionel Leisure (Pa.)	246	225	52	56	68
23	Fretter (Mich.)	214*	160*	29	39	51
24	Filene's Basement (Mass.)	213	189	15	17	23
25	Chief Auto Parts (Tex.)	203*	169*	337	444	475

*DSN estimate
[A]Total corporate volume; stores are Toys "R" Us only.
[B]Company now privately held.
[C]Includes sales from company-owned stores and wholesale sales to franchises.
[D]For fiscal year ended 10/85.
[E]For nine-month fiscal year ended 3/85.

Source: DSN research

Nationwide DSN Report

Discount specialty stores continued to outpace most other retail segments in growth. Sales for automotive, sporting goods and consumer electronics chains will top the $18 billion mark by the end of this year; off-pricer sales will go to just under $10 billion.

In every segment, the leading chain dominated, accounting for the lion's share of the volume.

Toys "R" Us, Marshalls and Circuit City, for example, held onto their leads in their respective fields, following strong gains in the fiscal year just ended.

Circuit City, in particular, grew by an impressive 35.8%, demonstrating the outstanding performance indicative of consumer electronics retailers. In fact, among the top 10 specialty chains, three are consumer electronics merchants.

But it was The Federated Group, of all CE retailers, that had the most impressive growth this year. Its sales gain was approximately 58%.

However, the new fiscal year doesn't look as promising for consumer electronics retailers. Consumer spending is sluggish and the competition for business is tougher. Retailers must decide whether to expand into new markets where competition has a stronghold or forego aggressive expansion plans and concede certain markets.

Regardless of their decisions, CE specialists are becoming more promotional while still emphasizing quality, selection and service. Like the other merchandise segments, CE retailers are learning that only the better managed companies will survive.

In the maturing off-price apparel industry, the shakeout is nearly over. The top two chains, Marshalls and T. J. Maxx, continued to grow and prosper. Melville-owned Marshalls plans to add 30 new units by year end while Zayre's T. J. Maxx expects 103 new ones.

Newer entries have laid out aggressive expansion strategies. Ross Stores is planning for approximately 46 new outlets. Most of these units will be in the Baltimore/Washington area as the retailer continues its leap East and Northward up the coast. Ross opened its first East Coast stores last year in Florida and Georgia.

Zayre's Hit or Miss will add 40 new stores while Associated Dry Good-owned Loehmann's will increase by 13. Filene's Basement and the Burlington Coat Factory each will each grow by six new stores.

The only off-pricer not expecting store growth this year is Sizes Unlimited. Following last year's absorption of Pic-A-Dilly stores, it will spend the year tightening operations nationwide.

Toy specialists, too, are growing steadily, winning more and more market share in the U.S., away from other channels of distribution.

Southeast Region Leads in Discount Store Concentration

Nationwide DSN Report

The Southeast continued to lead as the region of the nation housing the greatest number of discount stores.

That 10-state area is the home of 29.9% of all full line discount stores, catalog showrooms, membership warehouse clubs, off-pricers and specialty stores for sporting goods, toys, automotives and consumer electronics.

The Southeast also showed the highest percentage growth rate in the number of new stores—a 6% jump.

The six-state New England region showed the same 6% increase, while the store growth of the West Central area was 5.8%.

In total, the number of discount stores across the nation is anticipated to grow 4.2% this year.

The Southeast, combined with the Middle Atlantic and East Central region, contained more than half, or 53% of all discount stores in this country. This 21-state spread also accounted for about half of the nation's top 50 metropolitan markets.

The three regions were also responsible for 55.1% of the total square footage for all discount stores in the country.

The five-state Mountain region continued to be the least populated by discount stores. However, the number of stores in that region is projected to increase by 4.1% this year, mirroring the rate of growth throughout the country.

In contrast, the number of discount stores dipped slightly in the four-state Pacific region—the only region to show a decline.

Population plays a key role in determining the number of stores located per state, region, city or town. Demographics and economic trends, though, are integral factors in that determination.

In the six-state Southwest, for example, although the number of discount stores rose over the past year, the 2.9% projected rate of growth is lower than that of most of the other regions.

The retailing industry has been responding to a sluggish economy brought on by a drop in oil prices.

Instead, retailers have been shifting their focus to Northern and Eastern regions, which have been enjoying a resurgence in business. Having suffered the collapse of older factories and businesses, these areas, especially the New England states, have rebounded with new service-oriented and high-tech businesses.

Competition among discount store chains in these regions has tensed up during the past year as retailers have expanded their presence in several key markets or have made new market entries.

Discount Store Location by Region

Region	No. Stores All Discounters 12/86 (Proj.)	12/85	% Change	Net Selling Sq. Footage All Discounters (add 000) 12/86 (Proj.)	12/85	% Change
SOUTHEAST Ala., Fla., Ga., Ky., Miss., N.C., S.C., Tenn., Va., W. Va.	5,038	4,751	6.0%	183,566	174,875	5.0%
MIDDLE ATLANTIC D.C., Del., Md., N.J., N.Y., Pa.	3,998	3,839	4.1	136,860	129,387	5.8
EAST CENTRAL Ill., Ind., Mich., Ohio, Wis.	3,736	3,591	4.0	146,972	141,032	4.2
SOUTHWEST Ariz., Ark., La., N.M., Okla., Tex.	3,307	3,215	2.9	123,394	115,914	6.5
NEW ENGLAND Conn., Me., Mass., N.H., R.I., Vt.	2,510	2,367	6.0	71,713	67,468	6.3
PACIFIC Alaska, Calif., Hawaii, Ore., Wash.	2,282	2,298	−0.7	82,152	75,462	8.9
WEST CENTRAL Iowa, Kan., Minn., Mo., Neb., N.D., S.D.	2,069	1,956	5.8	78,956	74,356	6.2
MOUNTAIN Colo., Idaho, Mont., Nev., Utah, Wyo.	1,162	1,116	4.1	32,618	29,911	9.1
TOTAL	24,102	23,133	4.2	856,231	808,405	5.9

Source: DSN research

The Discount Industry by State

States	Proj. 1986 No. Stores All Discounters	Proj. 1986 No. Full Line Discount Stores Only	Proj. 1986 Sq. Footage All Discounters (add 000)	Proj. 1986 Sq. Footage Full Line Discount Stores Only (add 000)	Density (Square Foot Per Person) All Discounters	Proj. 1986 Total Sales All Discounters* (in Millions)	Proj. 1986 Full Line Discount Store Sales Only* (in Millions)	Total Retail Sales** (in Millions)	Total Discount Sales as % of Total Retail Sales
Alabama	384	186	17,188	13,969	4.22	$2,546	$1,879	$ 18,061	14.1
Alaska	54	5	2,358	376	4.61	771	505	4,356	17.7
Arizona	387	96	11,139	7,210	3.46	1,753	970	18,401	9.5
Arkansas	394	216	18,583	16,222	7.78	2,665	2,182	11,075	24.1
California	1,340	473	51,792	35,522	1.94	7,663	4,777	167,364	4.6
Colorado	400	109	12,306	8,186	3.73	1,999	1,101	21,383	9.3
Connecticut	574	169	18,817	12,692	5.86	2,703	1,707	21,909	12.3
Delaware	261	37	6,101	2,779	9.92	889	374	4,216	21.1
D.C.	113	3	2,334	225	3.82	271	30	3,299	8.2
Florida	941	295	33,002	22,155	2.75	5,117	2,980	73,756	6.9
Georgia	562	191	20,126	14,344	3.44	2,656	1,929	34,100	7.8
Hawaii	74	16	3,524	1,202	3.39	271	162	6,683	4.1
Idaho	185	26	3,759	1,953	3.72	632	263	4,854	13.0
Illinois	855	342	33,916	25,684	2.93	4,961	3,454	63,158	7.9
Indiana	664	282	26,678	21,178	4.83	3,861	2,848	31,849	12.1
Iowa	230	139	13,176	10,439	4.51	1,658	1,404	15,267	10.9
Kansas	254	144	12,672	10,814	4.99	1,788	1,454	14,091	12.7
Kentucky	457	181	17,206	13,593	4.58	2,466	1,828	18,060	13.7
Louisiana	531	176	17,387	13,218	3.91	2,672	1,778	23,774	11.2
Maine	246	50	6,146	3,755	5.21	910	505	7,169	12.7
Maryland	526	135	16,187	10,139	3.71	2,496	1,364	28,863	8.6
Massachusetts	962	269	29,802	20,202	5.08	6,277	2,717	42,139	14.9
Michigan	652	274	26,223	20,577	2.87	3,789	2,767	51,965	7.3
Minnesota	481	143	14,797	10,739	3.56	2,145	1,444	27,241	7.9
Mississippi	329	129	12,122	9,688	4.63	1,770	1,303	11,616	15.2
Missouri	517	213	20,206	15,996	3.99	2,970	2,151	30,763	9.7
Montana	133	21	2,857	1,577	3.39	428	212	4,707	9.1
Nebraska	202	94	8,428	7,059	5.22	1,225	949	8,997	13.6
Nevada	183	29	4,005	2,178	3.99	669	293	7,199	9.3
New Hampshire	225	69	6,715	4,806	6.62	1,021	670	7,635	13.4
New Jersey	851	210	24,621	15,771	3.23	3,649	2,121	48,526	7.5
New Mexico	266	82	8,624	6,158	5.92	1,274	828	8,121	15.7
New York	1,313	428	45,870	32,143	2.58	6,617	4,323	98,807	6.7
North Carolina	537	212	20,865	15,921	3.31	2,940	2,141	34,423	8.5
North Dakota	190	40	4,634	3,004	6.59	698	404	4,250	16.2
Ohio	1,100	506	46,132	37,926	4.23	6,657	5,101	60,784	11.0
Oklahoma	397	135	13,523	10,139	3.96	2,071	1,364	19,434	10.7
Oregon	350	111	11,413	8,336	4.19	1,730	1,121	15,159	11.4
Pennsylvania	934	443	41,747	33,269	3.46	5,837	4,474	64,295	9.1
Rhode Island	260	39	5,601	2,929	5.73	902	394	5,642	16.0
South Carolina	386	132	13,451	9,913	3.99	1,939	1,333	17,004	11.4
South Dakota	195	44	5,043	3,304	7.07	744	444	3,873	19.2
Tennessee	510	204	19,712	15,320	4.08	2,772	2,060	26,650	10.4
Texas	1,332	538	54,138	40,329	3.23	8,415	5,424	99,656	8.4
Utah	155	48	5,141	3,605	3.11	818	485	7,740	10.6
Vermont	243	30	4,632	2,253	8.51	726	303	3,619	20.1
Virginia	647	211	22,278	15,846	3.86	3,293	2,131	33,724	9.8
Washington	464	108	13,065	8,111	2.91	2,270	1,091	24,663	9.2
West Virginia	285	66	7,616	4,957	3.85	1,933	667	9,316	20.7
Wisconsin	465	137	14,023	10,289	2.89	2,045	1,384	24,991	8.2
Wyoming	106	36	4,550	2,854	8.60	564	384	3,614	15.6

*DSN *estimate based on average per store sales projected for calendar year.*
**Total retail sales taken from the 1986 Sales & Marketing Management Survey of Buying Power.*

Source: DSN *research*

DISCOUNT INDUSTRY ANNUAL REPORT

The Discount Industry by Metro Market

Top Metro Markets	Proj. 1986 No. Stores All Discounters	Proj. 1986 No. Full Line Discount Stores Only	Proj. 1986 Sq. Footage All Discounters (add 000)	Proj. 1986 Sq. Footage Full Line Discount Stores Only (add 000)	Proj. 1986 Total Sales All Discounters (in Millions)	Proj. 1986 Full Line Discount Store Sales Only (in Millions)	Population*	Density (Sq. Ft. Per Person) All Discounters	No. of Households*	Median Effective Buying Income Per Household*
New York	317	75	9,429	5,633	$1,450.0	$ 758	8,431,800	1.12	3,349,700	$21,815
Los Angeles	319	93	13,237	6,984	2,041.0	939	8,091,400	1.64	2,963,500	25,229
Chicago	392	147	15,289	11,039	2,383.0	1,485	6,127,100	2.50	2,238,000	28,217
Philadelphia	296	116	11,792	8,712	1,758.0	1,172	4,807,800	2.45	1,756,200	25,827
Detroit	278	71	8,639	5,332	1,417.0	717	4,361,000	1.98	1,581,600	27,260
Boston	359	110	12,178	8,261	1,960.0	1,111	3,703,100	3.29	1,373,200	29,692
District of Columbia	279	51	7,104	3,830	1,280.0	515	3,492,500	3.29	1,291,800	35,172
Houston	291	80	8,742	6,008	1,471.0	808	3,211,000	2.72	1,168,800	28,695
Nassau-Suffolk, N.Y.	235	44	7,123	3,304	833.0	444	2,701,000	2.64	873,600	38,289
Atlanta	267	56	6,730	4,206	1,205.0	566	2,460,700	2.73	902,700	27,770
St. Louis	225	72	7,656	5,407	1,215.0	727	2,416,700	3.17	873,700	26,667
Dallas	246	48	9,221	3,605	1,141.0	485	2,296,000	4.02	858,100	28,110
Baltimore	231	48	6,217	3,605	1,046.0	485	2,291,900	2.71	827,900	26,901
Minneapolis-St. Paul	224	44	5,788	3,304	9,385.0	444	2,254,500	2.57	843,600	30,184
Pittsburgh	208	78	7,964	5,858	1,228.0	788	2,189,600	3.65	846,200	23,136
San Diego	142	35	4,559	2,629	2,038.0	354	2,140,900	2.13	786,500	26,155
Anaheim-Santa Ana	134	47	4,953	3,530	853.2	475	2,124,000	2.33	755,000	33,131
Oakland	126	40	3,958	3,004	751.0	404	1,903,200	2.08	736,000	30,473
Riverside-San Bernadino	126	43	4,490	3,229	746.0	434	1,896,400	2.37	685,100	24,138
Newark	175	30	4,592	2,253	784.0	303	1,880,900	2.44	676,900	31,022
Cleveland	202	48	6,036	3,605	1,032.0	485	1,873,400	3.22	715,200	25,249
Tampa-St. Petersburg	181	49	5,969	3,680	1,043.0	495	1,870,000	3.19	786,600	20,814
Phoenix	172	35	4,618	2,629	754.2	354	1,841,100	2.51	719,100	24,214
Miami-Hialeah	206	36	5,318	2,704	1,010.0	364	1,771,600	3.00	665,300	22,152
Seattle	240	58	7,373	4,356	1,418.0	586	1,719,700	4.29	686,200	29,232
Denver	206	34	5,210	2,553	988.0	343	1,635,100	3.19	656,800	28,692
San Francisco	103	24	3,253	1,802	559.0	242	1,566,000	2.08	655,600	30,002
Kansas City, Mo.	129	38	4,384	2,854	724.0	384	1,497,500	2.93	561,300	27,736
Cincinnati	131	49	4,591	3,680	807.0	495	1,405,700	3.27	521,800	24,894
Milwaukee	158	35	4,192	2,629	653.0	354	1,401,000	2.99	527,700	26,847
San Jose	114	37	3,475	2,779	687.0	374	1,393,300	2.49	488,200	35,702
New Orleans	174	34	2,827	2,553	582.0	343	1,348,700	2.10	493,600	21,845
Bergen-Passaic	180	18	3,599	1,352	578.0	182	1,293,400	2.78	476,700	33,231
Columbus, Ohio	136	41	4,448	3,154	646.0	414	1,288,900	3.45	488,800	23,788
Norfolk	147	33	4,103	2,478	619.0	333	1,288,400	3.18	432,100	24,796
Sacramento	94	33	4,282	2,478	658.0	333	1,266,400	3.38	493,200	24,851
San Antonio	133	38	4,401	2,854	730.0	384	1,209,200	3.64	406,400	22,857
Indianapolis	164	46	5,173	3,455	922.0	465	1,208,600	4.28	443,700	25,936
Fort Worth-Arlington	135	36	4,317	2,704	517.0	364	1,175,500	3.67	431,700	27,560
Fort Lauderdale-Hollywood	151	31	3,161	2,328	589.0	313	1,159,100	2.73	492,000	25,015
Portland, Ore.	194	50	5,700	3,755	751.0	505	1,149,300	4.96	450,800	24,760
Hartford	178	54	5,606	4,005	558.0	545	1,075,400	5.21	394,100	31,464
Charlotte-Gastonia-Roch.	143	20	1,803	1,502	232.0	202	1,049,000	1.72	387,600	23,623
Salt Lake City-Ogden	132	29	2,663	2,178	484.0	292	1,044,200	2.55	336,300	24,717
Rochester, N.Y.	111	25	4,209	1,878	432.0	253	1,001,100	4.90	366,100	27,764
Oklahoma City	165	42	4,824	3,154	919.0	424	984,400	4.90	377,700	23,660
Buffalo	113	37	4,311	2,779	695.0	374	982,700	4.39	361,000	23,815
Louisville	133	31	3,875	2,328	675.0	313	971,000	3.99	356,200	23,280
Monmouth-Ocean	98	32	3,916	2,403	468.0	323	946,200	3.34	354,100	29,528
Middlesex-Hunterdon-Sommerville	74	20	2,456	1,502	437.0	202	934,300	2.63	326,500	35,302

*From 1986 Sales & Marketing *Survey of Buying Power*

Source: DSN *research*

ANNUAL REPORT — TOY SPECIALISTS

Discount Toy Chains Win Bigger Share of U.S. Marketplace

Nationwide DSN Report

Toy specialty chains continue to proliferate, and nine out of the top 10 in sales volume continued to show sales growth.

However, there's no relief in sight from the knock-down, drag-out competition that characterizes the industry. Industry leader TRU, which owns 15% of the domestic toy market, is going overseas, in part to find some relief.

Currently, the chain is operating in three foreign markets; additional stores to be opened this year will bring the tally to 12 in Canada, nine in Great Britain, two in Singapore and one in Hong Kong.

Few other toy retailers, however, can afford to follow in those footsteps.

Still, as a segment, toy specialists in the domestic market continued to command a greater share of sales than any other distribution channel in the industry. The concept of the toy supermarket as the single most important retailing format for toys, has clearly outstripped full line discounters, department stores and all other retail outlets.

Currently helping to soften the impact of a sluggish consumer spending environment and ho-hum toy manufacturer offerings is the expectation that the current baby boom will lead to sales increases.

Leading Toy Chains

Chain (HQ state)	Volume (in Millions) Last Fiscal Year	Volume (in Millions) Previous Fiscal Year	Number of Stores 1/85	Number of Stores 1/86	Number of Stores 1/87
Toys "R" Us (N.J.)	$1,976	$1,701	199	246	340
Child World (Mass.)	513	436	104	121	136
Kay Bee (Mass.)	401	347	535	584	637
Lionel Leisure (Pa.)	246	225	52	56	68
Greenman Bros. (N.Y.)**	110	48	107	304	364
K&K Toys (Va.)	37	33*	87	96	NA
Karl's Toys (Calif.)	23	18	23	27	30
Toy King/Toys & Gifts Outlets (Fla.)	18	30	58	62	NA
Toys Plus (Mo.)	17	NA	20	25	37
Hobby Center (Ohio)	12	11	26	27	27

*DSN estimate
** Includes Playland, Playworld and Circus World units.
NA—Not available

Source: DSN research

As children grow into and out of each toy category, the additional children are expected to produce an additional blip in sales for at least several more years, industry sources calculated.

Across all categories, specialty chains, as their discount store counterparts, have elected to take a conservative position in virtually all toy categories and wait for winners to emerge later in the year.

Toy manufacturers like Mattel, Hasbro, Coleco, Tonka and others have created some interesting properties for the current year, but store shelves lack toys with the star quality of Cabbage Patch dolls, Masters of the Universe and Teddy Ruxpin, when those items were fresh and caused excitment.

TRU adhered to that pattern with promotions for its spring program. While giving Lakeside's Wrinkles hand puppet ($29.97) and Matchbox's Need-A-Littles ($22.97) a higher profile, the chain turned most of its efforts to highlight a mix that was as much sporting goods as toys.

Best buys included a Huffy 10-speed bike at $109.97, a Murray two-speed at $119.97, and 29" skateboards by NDash at $49.94.

At Child World, like TRU, the pricing emphasis was on everyday opportunities rather than sales. Teddy Ruxpin, for example, broke through the $69.99 barrier at Child World and was offered at a $59.89 everyday price point. Pound Puppies and the new Pound Pur-R-Ries were $14.97. The newest Cabbage Patch dolls, the Circus Kids, were listed at $36.99. Large-size Popples dipped under $20 to $19.97, with the smaller size at $9.97. Child World also used a Kenner $3 rebate program to get Centurion action figures down to $7.97 each.

Lionel Kiddie City followed the same strategy as TRU late in the first quarter by emphasizing the less volatile outdoor activity merchandise.

The chain offered four brands of play centers and swing and slide sets on sale for prices ranging from $74.99 for a Turco play center, to a North American swing and slide set at $149.99. Bikes by Huffy, Murray and Kent were offered on sale, with prices beginning at $54.99 for a 20-in. Murray, to a 26-in., 12-speed bike by Huffy for $94.97.

Certainly, with just first quarter results logged—the weakest reporting period in the Christmas-driven toy business—the outcome of the year is still too far away to call.

In the first quarter ended May 4, for example, TRU's sales were off compared to volume a year ago. Sales for the chain totalled $368 million for the quarter generating earnings of just $10.3 million, compared with $12.2 million in earnings for the same quarter last year.

ANNUAL REPORT — SPORTING GOODS SPECIALISTS

U.S.-Bound Americans Prove Boon for Sporting Goods Chains

Nationwide DSN Report

Sporting goods specialty stores are expecting to rack up sales gains this summer and fall because more Americans have decided to spend their vacation and leisure dollars closer to home.

The pattern of reduced European travel and increased domestic vacations has been further helped by unheard of low gasoline prices that are already giving a boost to camping, hiking and fishing.

The top 10 discount specialty chains expected to generate sales in excess of $1.5 billion for the current fiscal year. The projection is based on the expectation that lifestyle changes favoring physical fitness, combined with domestic vacations and good weather will drive shoppers into their stores.

Herman's, the largest discount specialty chain in sporting goods, had sales of $420 million during its most recently completed fiscal year. The sales represented a 14% increase over the previous year. Same store sales were up 6.7% and net income was up 20%.

Industry analysts credited Herman's success to "favorable demographics and heightened interest in leisure time and physical fitness activities."

As part of the W.R. Grace organization, the sporting goods chain focused on broad, deep assortments in sporting goods, sports apparel and athletic shoes.

In pricing, the chain tended to be lower than local independent stores and slightly higher than larger discounters. Under W.R. Grace, the stores maintained a pricing strategy of "meet or beat" that was heavily promoted through print advertising.

Leading Sporting Goods Chains

Chain (HQ state)	Volume (in Millions) Last Fiscal Year	Volume (in Millions) Previous Fiscal Year	Number of Stores 1/85	Number of Stores 1/86	Number of Stores 1/87
Herman's (N.J.)	$420	$368	115	131	131
Oshman's (Tex.)	312	304	184	209	215
Big 5 (Calif.)	175*	165*	70	89	89
Sportmart (Ill.)	129*	123*	11	12	12
Sunset Sports (Utah)	116*	110*	36	40	40
Dave Cook (Colo.)	62*	56	17	17	17
Gart Bros. (Colo.)	54*	49	13	14	14
Michigan Sporting Goods (Mich.)	42*	38	16	16	18
Academy (Tex.)	37*	35	17	20	20
Irving Sports (Va.)	17*	16	17	18	18

*DSN estimate

Source: DSN research

Under ownership by The Dee Corporation, a change that took effect April 14 of this calendar year, a spokesman for the sporting goods chain said no changes in merchandise assortment or pricing strategy were planned. "Herman's is still Herman's," the spokesman added.

Results for the first quarter that ended on March 30 posted a net income increase to $1.7 million, a 3% gain over a strong first quarter last year. Sales were up 15%, to $94.4 million.

Oshman's, the second largest discount sporting goods chain in the country, recorded a 2.6% increase in sales for fiscal 1985, with $312,261, but suffered through a decline in the rate of earnings from $10,069 the previous year to last year's $8,536.

The chain's disappointing results were attributed to adverse economic conditions throughout the Sunbelt, especially in Texas, where Oshman's has 66 of its 184 stores.

Addressing the downturn in the Texas economy, Oshman's reported: "Fortunately, we enjoy major market share positions in Florida, Georgia and California, where we anticipate increased sales. However, the Texas environment will certainly limit our overall sales improvement."

The Academy chain, also based in Texas, generated estimated sales of $36 million from its approximately 20 stores. Big oil problems notwithstanding, the chain has high expectations for the current summer season and upcoming fall that seem consistent with those of other major discount sporting goods specialists.

The chain forecasted a strong year based on early sales indications. The highly cyclical camping business is on the upswing, with Academy stores enjoying stronger sales in the category than they have seen in five years. The chain has also expanded its position in outdoor games and tennis products and achieved solid sales results.

Oshman's promotions early in the second quarter focused on an outdoor game but clearly targeted customers with incomes in the middle to upper income levels.

For example, a Wilson/Ken Venturi pro golf set regularly priced at over $1,000 was on sale at $399.99, and Endicott Johnson golf shoes sold everyday at $75 were on sale for $49.99. Oshman's also offered shoppers a $265 saving on another set of Wilson clubs, offering them at $249.

At Big 5, based in California, the emphasis was shifted to camping, fishing, hunting and exercise equipment. A Golden Bear roof tent was offered at a $30 savings for $99.99. An El Capitan sleeping bag by Golden Bear was reduced $5 to $22.99, and a Daiwa rod and reel combination was on sale for $39.99, a $40 saving.

Meanwhile, at Utah-based Sunset Sport Centers, the chain was offering consumers less spectacular savings on tennis rackets, golf clubs, foot wear and sporting accessories. An 11-piece, Browning golf set regularly priced at $299.99 was on sale for $229.99; a Donnay graphite tennis racket frame regularly priced at $59.99 was on sale for $49.99 and a pair of mens' Nike, leather golf shoes were reduced from $52.95 to $44.99.

ANNUAL REPORT — CE SPECIALISTS

CE Chains Face Tougher Year as Consumer Spending Eases

Nationwide DSN Report

Most of the consumer electronic discount chains emerged from the last fiscal year with enviable sales and earnings, but 1986's tougher market conditions are testing their ability to repeat last year's successes.

The nine chains who made it to the top 10 sales ranking for the last two fiscal years averaged 35% increases last year.

The star performer was The Federated Group whose $230 million in sales reflected a 58% increase. Circuit City, still burdened with Lafayette stores in New York City and Zody's lease agreements in California, still managed a hefty 36% increase in sales to $705 million. And both Highland and Silo scored sales gains in excess of 40%.

But the new fiscal year has shown consumer spending to be sluggish, the dollar still losing strength against the Japanese yen and the competition being tougher.

With top specialty chains already laying claim to shares of most top national markets, competitors must decide between conceding markets by cutting back on their own expansion, or creating a confrontation with a chain that often has the same buying muscle, merchandising expertise and operational strengths.

Montgomery Securities, which recently sponsored a forum on CE specialists, also focused on the problems caused by a projected slowdown in the rate of VCR sales, a category that represents about 25% or more of the sales of key players; a slight decrease in consumer demand for key products like color televisions and audio items and also changes in currency exchange rates that have increased the yen's value by 40% since the past year against the U. S. dollar.

Rather than let these unfavorable market conditions inhibit chain growth, the major CE specialists have decided to reduce margins and use more promotions.

The strategy seems to be deeply rooted in the belief that the consumers' love affair with video and audio can be rekindled with more promotions. By mid-summer, some retailers expect to see improved sales beginning to generating some momentum for the fourth quarter.

The products that will generate the momentum are the workhorses of the industry: color televisions with features, higher priced VCRs with basic features like wireless remote, CD players and audio accessories.

Prior to the summer Consumer Electronics Show, Federated president Keith Powell blamed industry-wide lackluster sales on the lack of promotion. Starting late in May, Powell took his own promotion advice.

A three-page print ad announced a "value-spectacular" for a one-day sale on televisions, rack stereo systems, VCRs, camcorders, typewriters, car stereos, personal stereos, microwaves, lifestyle furniture and accessories.

Federated's prices included a $1,000 saving on a 40-in. color television with remote control and stereo offered at $2,100; 50% savings on Fisher 3-way 10-in. speakers offered for $49.97 each, and a Sony credit card sized Walkman for $33.33.

But clearly, the chain is going after more than just a quick fix in lagging sales. The chain is also emphasizing quality, selection, service and servicing after the sale.

At about the same time, Silo had decided to punch up its sales results with a promotion that highlighted its audio selection. Video products were offered—a Zenith 19-in. stereo with remote control was offered at $399 and a 40-in. Mitsubishi set with wireless remote and stereo was listed at $2,499—but Silo's emphasis was on CD players, boom boxes, tape decks, personal stereos and microwave ovens.

At Highland, a recent promotion focused on audio. The exception was a 26-in. Sanyo color TV with stereo, wireless remote, and dual cassette deck—for $1,995, rather than its regular price of $2,495.

Highland concentrated on audio cassette players, car stereos, a CD player with changer by Pioneer for $410, a Kenwood rack stereo for $598 and a Pioneer linear tracking turntable for $94.

Leading Consumer Electronics Chains

Chain (HQ state)	Volume (in Millions) Last Fiscal Year	Volume (in Millions) Previous Fiscal Year	Number of Stores 1/85	Number of Stores 1/86	Number of Stores 1/87
Circuit City (Va.)	$705	$519	93	70	90
Highland (Mich.)	520	359	32	40	46
Silo (Pa.)	472	330	97	111	120
The Federated Group (Calif.)	364	230	43	59	67
Crazy Eddie (N.Y.)	262	136[A]	14	23	30
Fretter (Mich.)	214*	160*	29	39	51
Pacific Stereo (Calif.)	200[B]	215	85	64	NA
Audio-Video Affiliates (Ohio)	182	119	45	78	100
Newmark & Lewis (N.Y.)	142	112	25	34	40
Luskin's (Md.)	110	90	29	40	53

*DSN estimate
NA—Not available
[A]For nine-month fiscal year ended 3/85.
[B]Operating under Chapter 11.
Source: DSN research

ANNUAL REPORT — CATALOG SHOWROOMS

Regionals Launch New Attack on Catalog Showroom Giants

Nationwide DSN Report

Service Merchandise's and Best Products' dominant position within the catalog showroom industry may be weakening as regional chains step up their growth and expansion.

Together, Service and Best—each a $2 billion plus chain—accounted for about 64% of the catalog showroom industry's approximately $7 billion volume last year, up from about 56% in the previous year.

Any weakening in their dominant stance would reflect a combination of operational problems troubling each company along with a number of major changes impacting the catalog showroom business. The latter factors include the demise of one major chain, Ardan; a Chapter 11 filing by Boardman's; a sharp cut back in the bi-coastal operation of Consumer Distributing (U.S.) to just the Northeast; a marked slowing down in the industry's total showroom growth, and static overall sales gains.

The changes underway mean that this year about three dozen regional chains are expected to grow more rapidly than the Big Two and play a more important role in the catalog showroom business, capturing a larger share.

At the same time, the industry's contraction in companies, particularly among small, mom-and-pop, one-market, one- and two-showroom operations, is expected to continue.

On the coordinator side, a similar contraction is underway, as Creative Merchandising phased out its operation, while Charter Catalog and George Associates combined into Associated Charter. Trade observers expect additional coordinator mergers until only three or four groups are left.

While the new industry profile that is taking shape still has Service and Best as the dominant players, a host of regional chains like Brendle's, W. Bell, United Jewelers, L. Luria & Son, K's Merchandise, E. H. Tepe, Dahlkempers and Present Co. are coming to the forefront as the faster growing chains.

The slower growth at Service and Best is due to different, specific problems at each chain.

Service's troubles include the drain on profits caused by the cataloger's thrust into the warehouse home center industry through its unprofitable Mr. HOW division. Company executives contend that Mr. HOW will be turned around, while trade sources report the operation is available. Service recently sold six Mr. HOWs and halted all expansion.

Additionally, Service is faced with the need to complete a number of moves recently made within its core showroom operation. These include fully integrating last year's acquisitions of H. J. Wilson and Ellman's, the fine-tuning of its new automated replenishment system and inaugurating its semi-automated Northeast regional distribution center that will serve as a prototype.

One immediate effect of Service's problems is a slowing down of the cataloger's normal expansion of 20 to 25 showrooms to about half that number, with units spotted in markets where the company currently has stores.

At Best, the major challenge is the extensive refurbishing of about half of the chain's 212 showrooms to halt a loss of market share. This $100 million, three-year endeavor launched last year has resulted in the cataloger calling off all expansion plans for this year.

While the Big Two are looking inwardly, a number of regional catalogers are marching off in different directions.

Brendle's, for example, has gone public to raise funds for expansion and some privately held catalogers are reportedly considering similar moves. Present last year issued more stock and used the funds to open more showrooms.

Luria has updated its merchandise information system as its prepares its operations for its first thrust outside of Florida.

Beyond these expansion activities, many regional chains have tailored their merchandising and marketing programs to focus on specific, traditionally profitable categories like jewelry and giftware. This move also helps to differentiate their operation from larger competitors like discount stores that tend to offer broader merchandise mixes.

Leading Catalog Showroom Chains

Chain (HQ state)	Volume (in Millions) Last Fiscal Year	Volume (in Millions) Previous Fiscal Year	Number of Showrooms 1/85	Number of Showrooms 1/86	Number of Showrooms 1/87
Service Merchandise (Tenn.)	$2,247*†	$1,607*†	182	287	302
Best Products (Va.)	2,192†	2,218†	204	213	212
Consumers Distributing (U.S.) (N.J.)	312[A]	261	87	89	90
Brendle's (N.C.)	184[B]	146	22	31	35
W. Bell (Md.)	145*[C]	148	19	21	23
United Jewelers (Tex.)	135[D]	139	57	58	61
Jewelcor (Pa.)	124†	128†	22	22	22
K's Merchandise (Ill.)	110*	105*	8	9	10
McDade (Ill.)	110*	110*	7	7	8
L. Luria & Son (Fla.)	109[E]	101	35	37	40

*DSN estimate
†Catalog showroom division sales only.
[A]in Canadian dollars.
[B]includes Alexander's Wholesale acquired 10/85.
[C]For fiscal year ended 6/86.
[D]For fiscal year ended 8/85.
[E]For seven-month fiscal year ended 2/86.
Source: DSN research

Price Club, San Diego, creator of the membership warehouse format, leads the segment with sales of $1.8 billion and a 24-unit base.

Membership Warehouse Clubs to Break $8B Sales Mark

Nationwide DSN Report

The membership warehouse industry is set for yet another year of explosive growth, fueled by a combination of new store openings and a growing number of maturing units opened during the past two years.

The industry's volume is expected to hit $8 billion this year up from about $2 billion a scant 18 months ago. The segment's volume is expect to grow to $20 billion by 1990.

The big jump in sales reflects more than just the physical growth of the industry. It also reflects a growing acceptance of membership warehouses by small businesses, the industry's target market.

Wholesale purchases by businesses now account for 50% to 75% of the sales at various membership warehouses and for about $5 billion of the industry's total volume; the remainder coming from individual consumers, so-called group members.

The impressive growth last year of such chains as Sam's Wholesale Club, Costco, PACE, BJ's Wholesale Club and Super Saver has resulted from the industry overall unveiling about 75 new stores and the maturing of a another 75 units opened in the previous two years.

This growth has also put at least one chain, Sam's Wholesale Club, in a position to ring up $1 billion in sales this year and to possibly challenge the $1.8 billion Price Club for the industry's top volume spot by 1987. At least two other chains, Costco and PACE, will likely become $1 billion chains by 1987.

The rapid expansion of these membership warehouses has intensified the head-to-head competition among at least two (and possibly a third) chains in a growing number of major metro markets. The list includes:

New York (Price and BJ's), Chicago (BJ's and The Warehouse Club), Baltimore (Price and PACE), Detroit (The Warehouse Club and PACE), Tampa-St. Petersburg (PACE and Costco), Cincinatti (Makro and Sam's Wholesale Club), Denver (PACE and Buyer's Club), Pittsburg (PACE and The Warehouse Club), Seattle (Costco and Price Saver), San Antonio (Sam's Wholesale Club and Value Club), Milwaukee (Costco and The Wholesale Club), Fort Lauderdale (Costco and Wholesale Plus) and Oklahoma City (Sam's Wolesale Club and Super Value).

It has also prompted a host of warehouse operators to step up openings in smaller cities like Bakersfield, Calif. (Costco), Little Rock, Ark. (Sam's Wholesale Club and Super Saver), Charleston, W. Va. (Super Saver), Louisville, Ky. (PACE, Sam's Wholesale Club and Super Saver), Boise, Idaho (Club Wholesale), Ogden, Utah (Price Savers), and Greensboro, N.C. (PACE and Members Wholesale).

This diversified growth isn't limited to just the Top 10 membership warehouses.

Even smaller operators like the Buyer's Club and Members Warehouse are either squaring off against the major chains or else rapidly moving into smaller cities to preempt the larger companies from locking up a market.

New companies have also entered the industry, although the rate of invasion is down sharply from the past. This year, so far, Saveco unveiled its first unit in Riverside, Calif., while American Wholesale debuted in Dallas.

The sky high volume generated by a mature warehouse club unit explains the big jump in volume reported by many companies last year.

Fully mature stores churn out $50 million plus in sales, with some Price Club and Sam's Wholesale Club units generating over $100 million.

The Price Club's sales jumped 60.7% to $1.8 billion as it unveiled five stores on a base of 19. But that impressive growth pales beside the increases recorded by other membership warehouses.

Sam's Wholesale Club tripled volume to $777 million as it grew from 11 stores to 23, while Costco more than doubled its sales to $309 million when it added nine units to its first dozen stores.

Leading Membership Warehouse Clubs

Chain (HQ state)	Volume (in Millions) Last Fiscal Year	Volume (in Millions) Previous Fiscal Year	Number of Stores 1/85	Number of Stores 1/86	Number of Stores 1/87
Price Club (Calif.)	$1,834[A]	$1,141	19	24	34
Sam's Wholesale Club (Ark.)	777	222	11	23	41
Costco (Wash.)	309[B]	144	12	21	31
Makro (Ohio)	300*	250*	4	4	4
PACE (Colo.)	275	76	6	16	25
BJ's Wholesale Club (Mass.)	215*	40*	3	8	16
Price Savers (Utah)	175*	140*	4	5	10
Value Club (Texas)	125*	95*	5	6	6
Warehouse Club (Ill.)	89[B]	26	5	7	12
Super Saver (La.)	80*	NA	2	9	21

*DSN estimate
NA—Not available
[A]For fiscal year ended 8/85.
[B]For fiscal year ended 9/85.
Source: DSN research

Membership Warehouse Clubs: $8 Billion*

Food/Groceries:	***$2.5B***
Sundries:	***$2B*** (includes H & BA, tobacco, cleaning supplies)
Hard Lines:	***$2.3B*** (includes CE, office supplies, tools, automotives)
Soft Lines:	***$1.0B*** (includes clothing, domestics, jewelry)
Miscellaneous:	***$0.2B*** (includes seasonal goods, books)

*Includes wholesale sales. Source: DSN research

OFF-PRICERS ANNUAL REPORT

Two Top Chains Dominate Competitive Off-Price Market

Nationwide DSN Report

The apparel off-pricers listed here, for the most part, represent the survivors.

The industry shakeout is just about over, leaving quite a few chains well positioned in a very competitive marketplace.

The top two chains, Marshalls and T. J. Maxx, are both sporting new prototypes with improved presentations to make it easier for shoppers to find what they want.

Marshalls' latest look first showed up in two Massachusetts stores in April of this year. The chain uses walls to set apart misses fashions from juniors, for example.

Marshalls' executives pointed to the increased number of women who work and shop in a hurry more these days than in the past, as the reason for redesigning the store.

T. J. Maxx unveiled its latest look last year with some 60 units operating with freestanding walls in ladies' wear and in some markets a special designer deparment with better brands of ladies' wear.

For the younger consumer, Ross Stores, which also sells apparel for the whole family, continued rapid expansion is still the key to continued growth. Ross landed on the East Coast last year in Florida and Georgia and is scheduled to move into the Baltimore/Washington area next month as the chain adds some 45 stores in the current year.

Although the four-year old Ross Stores charted a 79% sales gain last year moving it up to the No. 3 spot, the chain's earnings only gained 6%. According to chain president Don Rowlett, that will improve as more of the chain's stores mature. At the start of this year 40% of the stores had been operating for less than a full year.

Most other off-pricers on the top ten list are on a slower growth rate than Ross.

Expansion at Burlington Coat will see the chain move into Utah and Akron, Ohio, as it opens at least 10 more stores during the upcoming year.

Designer Depot, K mart's off-price apparel division, is still being adjusted. The average store size has been expanded from 16,000 sq. ft. to 22,000 sq. ft. as the chain hones its family apparel format. That company is currently setting up its own buying offices in New York, after a break with Fashion House buying services.

Sym's, which carries family apparel, but gets the bulk of its volume from men's wear, is expanding its store count as well as its appeal by strengthening its positioning in ladies' and children's wear. Newer commercials focus on children's wear, which was less than 4% of its volume just two years ago.

The chain has been shopping for sites in new East Coast markets with plans to open four new stores this year.

Sizes Unlimited, the off-pricer geared to large-size women, last year absorbed the former Pic-A-Dilly stores and closed some stores as it sharpened its coast-to-coast operations.

A closer look at the large-size market revealed several other large-size off-pricers including The Answer, P.S. Plus Sizes and Extra Special/ Modern Woman. The 37-unit The Answer is expected to become a national chain with 100 stores by the end of 1988.

Extra Special, which is headquartered on the West Coast, is slated to open on the East Coast this year under the Modern Woman label. That 20-unit chain has scheduled 25 new stores a year with 100 units by 1990.

Leading Off-Price Apparel Chains

Chain (HQ state)	Volume (in Millions) Last Fiscal Year	Volume (in Millions) Previous Fiscal Year	Number of Stores 1/85	Number of Stores 1/86	Number of Stores 1/87
Marshalls (Mass.)	$1,324	$1,190	209	236	266
T. J. Maxx (Mass.)	850*	636*	156	191	284
Ross Stores (Calif.)	376	211	66	107	153
Burlington Coat (N.J.)	352**	310	68	74	80
Loehmann's (N.Y.)	323*	308*	72	81	94
Hit or Miss (Mass.)	300*	291*	401	428	468
Sizes Unlimited (N.J.)	254*	281*	349	255	255
Sym's (N.J.)	215	204	14	15	19
Filene's Basement (Mass.)	213	189	15	17	23
Designer Depot (Mich.)	156*	131*	52	73	93

*DSN estimate
**For fiscal year ended Oct. 31, 1985.
Source: DSN research

AUTOMOTIVE SPECIALISTS ANNUAL REPORT

Automotive Chains Drive Toward Bigger Store Base in 1986

Nationwide DSN Report

While strong new car sales may have stalled replacement parts sales, it has not driven the nation's top automotive specialty discounters off the expansion trail.

While there is a wide variety of differences in the operational strategies of how these chains go to market—from the convenience orientation of Chief Auto (owned and operated by convenience store 7 11's parent Southland Corp.) to The Pep Boys full assortment/auto service capabilities—the segment's leaders are committed to unit growth.

Western Auto, recently bought by New Jersey-based Wesray Corp., strengthened its position this year as the largest auto discount chain by purchasing White Store's shuttered company-owned locations from White's parent, Canadian Tire.

Western paid Canadian Tire $24.5 million for 40 of White Store's locations and three distribution centers.

An additional 18 stores, in which Canadian Tire had only a partial interest, were also purchased by Western Auto, for an additional $7.5 million. Most of the White Stores were in the South and Southwest.

In addition, Western's wholesale division will benefit from the business of most of the White franchisees, who have steadily been signing on with them since the takeover.

Western executives said they will sell the former White distribution centers and any of the stores which are located too close to existing Western Auto outlets.

Before the acquisition, Western Auto had 250 company-owned stores and approximately 2,000 dealers in 48 states and the District of Columbia. Sales for the privately-held chain's most recently completed fiscal year totaled $725 million, according to *DSN* estimates.

Sixth-ranked Grand Auto, of Oakland, Calif., is also growing by acquisitions.

The 100-plus unit chain recently purchased the Kent, Wash.-based Automotive Wholesalers Inc., which owned and operated 28 Top Auto stores in that Pacific Northwest state and Alaska. The buyout expanded Grand's trading area from its two-state base of California and Nevada.

Since the takeover, Grand Auto has already begun to open new stores under the Top nameplate. The first of these new stores opened in January in Tacoma, Wash.

Other operators, like East Coast-based The Pep Boys, are growing through new store openings.

The chain's current game plan calls for 27 new units to open by the end of the year, which will bring its total store count to 186 by the end of January, 1987, the close of its current fiscal year.

The chain has been on a steady expansion and renovation drive for the past several years.

For the fiscal year just ended, The Pep Boys spent $62 million to renovate established stores and open 34 new units. The chain ended the fiscal year in Feb., 1986, with 159 units. In the previous year, ended Feb., 1985, $37 million was spent on capital expenditures .

Texas-based Chief Auto Parts, which operates in nine Southwestern states, is planning to open an additional 30 stores during this year. Those openings will bring the chain's store base to 347 units at the close of its current fiscal year.

Those openings follow a year of considerable growth. Last year, the chain opened or acquired 159 stores, while closing 52 units.

Pontiac, Mich.-based Perry Auto Works, a division of Perry Drug Stores Inc., is projecting to add 66 new stores by the end of the current fiscal year, ending Oct. 31, 1986. Those openings will increase the chain's store count to 176 stores.

In addition, Perry Auto is working to hoist the Auto Works nameplate over the doors of stores acquired over the last several years. Recent acquisitions include the Fleenor's stores acquired in 1983 and the Corvairs stores purchased in 1984.

OTASCO, based in Tulsa, Okla., and operating 579 stores in the Southeast, Southwest and Midwest, is expected to keep expanding during the current fiscal year. Last year, OTASCO grew by 29 stores.

Nationwise intends to open 20 stores this year, increasing their total to 180. The Columbus, Ohio-based chain operates in the Midwest and Southeast.

Growth in units, however, is not the only sort of expansion under way at discount automotive chains.

Assortments are also being expanded at many chains, including moves by Kragen and Checker to increase the number of offerings for experienced mechanics. .

Remodeled Checker stores now carry more than 8,000 items, compared with the 3,500 items available at Checker stores previously.

Grand has also started a special section for light truck and four wheel drive vehicle accessories, similar to the sections the chain used for the custom vans in vogue during the late 1960s and early 1970s.

Many chains expect continued success with light truck accessories, including running boards and tool boxes.

Chains that perform repair work are are expanding their services to include four wheel drive vehicles.

Chief, for example, recently obtained wheel alignment equipment for four wheel drives.

Leading Automotive Chains

Chain (HQ state)	Volume (in Millions) Last Fiscal Year	Volume (in Millions) Previous Fiscal Year	Number of Stores 1/85	Number of Stores 1/86	Number of Stores 1/87
Western Auto (Mo.)	$725*AB	$698	2,269	2,269	2,269
Pep Boys (Pa.)	389	348	135	159	186
OTASCO (Okla.)	288*A	300*	550	579	579
Lucky Auto Div. (Ariz.)	280*	275*	459	376	380
Chief Auto Parts (Tex.)	203*	169*	337	444	475
Nationwise (Ohio)	190*	150*	140	160	180
Grand Auto (Calif.)	168	154	86	113	113
Perry Auto Works (Mich.)	127	81	110	176	176
Whitlock (N.Y.)	105*	100	61	61	61
Trak Auto (Md.)	98C	74	93	114	114

*DSN estimate
AIncludes sales from company-owned stores and wholesale sales to franchisers.
BCompany now privately held.
CIncludes wholly-owned company stores only.
Source: DSN research

Chain Profiles

$1B Chains Tighten Grip on Discount Industry

Top 25 Discounters: '86 vs. '85

1986			1985		
Rank	Chain	Sales in Millions	Rank	Chain	Sales in Millions
1	K mart	$20,775	1	K mart	$21,040
2	Wal-Mart	7,674	2	Wal-Mart	6,268
3	Target	3,932	3	Target	3,550
4	Zayre	2,638	4	Best Products	2,218
5	Service Merchandise	2,247	5	Zayre	2,196
6	Best Products	2,192	6	T.G. & Y.	2,020
7	Toys "R" Us	1,976	7	Toys "R" Us	1,701
8	Price Club	1,834	8	Service Merchandise	1,607
9	Bradlees	1,620	9	Bradlees	1,404
10	Ames	1,513	10	Caldor	1,257
11	Caldor	1,338	11	Gemco	1,247
12	Marshalls	1,324	12	Marshalls	1,190
13	Hills	1,320	13	Hills	1,170
14	Gemco	1,287	14	Price Club	1,164
15	Gold Circle	1,058	15	Meijer	960
16	Roses	1,009	16	Roses	927
17	Venture	1,004	17	Pay Less	1,083
18	Fred Meyer	1,004	18	Venture	915
19	Pay Less	1,003	19	Fred Meyer	860
20	Meijer	1,000	20	Ames	822
21	T. J. Maxx	850	21	Western Auto	698
22	Sam's Wholesale Club	777	22	T. J. Maxx	636
23	ShopKo	754	23	Murphy's Mart	634
24	Western Auto	725	24	Gold Circle	628
25	Circuit City	705	25	ShopKo	610

Source: DSN research

Nationwide DSN Report

Among the market trends revealed by this year's annual census on the discount store industry, is the growing presence of the billion dollar chain.

This year, six more chains entered the ranks of the 10 figure operation bringing the number of billion dollar club members to 20. Three years ago, there were only nine members in the club; since then, one chain, T. G. & Y., has gone out of business.

The latest arrivals are Ames, Roses, Venture and Pay Less; Fred Meyer and Meijer Thrifty Acres also joined the list, on the strength of their general merchandise sales only.

Most of these operations crossed the billion dollar mark under the full sail of same store productivity gains and new store openings. Ames, however, landed in the company of the largest chains—and grabbed tenth place on the top 100 discounters list—with its 1985 takeover of the G.C. Murphy company.

That moved nearly doubled the Conn.-based chain's volume from $822 million in fiscal 1985 to $1.5 billion for the year just ended.

The emergence of the latest generation of billion dollar chains and the disappearance of T. G. & Y., Murphy's Mart, Jefferson Ward, Zodys and Richway (following its consolidation with its sister, Federated-run division Gold Circle) from the top half of the top 100 list further churned this year's rankings.

The discount department store divisions of K mart, Wal-Mart and Target held on firmly to their first, second and third place spots respectively. But last year's fourth ranked chain, cataloger Best Products, dropped into sixth place following a hard year and a sales slump that depressed revenues from $2.3 billion a year ago to $2.2 billion for the year just ended.

That drop gave Zayre the room to move into fourth place with a 17% jump in sales, to $2.64 billion.

It also gave Service Merchandise the chance to pull into fifth place—and ahead of its arch-rival Best Products, for the first time.

Another meaningful advance: Price Club's climb from 14th place to eighth, on the strength of a 57% increase in sales. A jump, fueled in part, by nearly 10 new unit openings.

Overall, the emergence of the membership warehouse clubs as a powerful industry segment has already had a significant impact on the top 100 list, even though many of the operations are only a year or two old.

Last year, in addition to Price Club, only three other warehouse club operators, Wal-Mart's Sam's Wholesale Club, Ohio-based Makro and Seattle-based Costco, made it onto the list.

This year's list shows the impact the high volume membership warehouse club operations are having on the market.

Six Chains Join Billion Dollar Club

Six chains have joined the ranks of the billion dollar discounters: Ames, Roses, Venture, and Pay Less are among the newcomers. Also included are Fred Meyer and Meijer's Thrifty Acres, based solely on the strength of thier general merchandise sales. Together, the 20 chains in the billion dollar club generate nearly two thirds of the discount department store industry's annual volume. They also account for 44% of total discountland sales.

1986*

Rank	Chain	Sales (in Millions)
1	K mart	$20,775
2	Wal-Mart	7,674
3	Target	3,932
4	Zayre	2,638
5	Service Merchandise	2,247
6	Best Products	2,192
7	Toys "R" Us	1,976
8	Price Club	1,834
9	Bradlees	1,620
10	Ames	1,513
11	Caldor	1,338
12	Marshalls	1,324
13	Hills	1,320
14	Gemco	1,287
15	Gold Circle	1,058
16	Roses	1,009
17	Venture	1,004
18	Fred Meyer	1,004
19	Pay Less	1,003
20	Meijer	1,000

1985

Rank	Chain	Sales (in Millions)
1	K mart	$21,040
2	Wal-Mart	6,268
3	Target	3,550
4	Best Products	2,218
5	Zayre	2,196
6	T.G. & Y.	2,020
7	Toys "R" Us	1,701
8	Service Merchandise	1,607
9	Bradlees	1,404
10	Caldor	1,257
11	Gemco	1,247
12	Marshalls	1,190
13	Hills	1,170
14	Price Club	1,141

1983

Rank	Chain	Sales (in Millions)
1	K mart	$18,746
2	Wal-Mart	4,325
3	Target	2,774
4	Gemco/ Memco	2,325
5	T.G. & Y.	1,786
6	Zayre	1,778
7	Hills	1,074
8	Caldor	1,064
9	Bradlees	1,003

1980

Rank	Chain	Sales (in Millions)
1	K mart	$12,822
2	Woolco	2,855
3	T.G. & Y.	1,487
4	Zayre	1,327
5	Wal-Mart	1,200
6	Gibson	1,180
7	Target	1,100

*Most recently completed fiscal year

Source: DSN research

K mart Focuses on New Technology to Boost Store Same Sales

TROY, Mich. — Following several years of merchandise and store presentation upgrading, K mart is now focusing on improving sales productivity through advanced technology store data collection and merchandise distribution systems.

Front end scanning and satellite relayed store-to-headquarters communication systems head the list of technological advances being implemented at the nation's largest discount chain.

Also playing key roles in the chain's 1986 plans are stepped-up lifestyle promotions, including the launch of a new K mart magazine, *American Lifestyles*, and a decision to bring the merchandising expertise of other K mart divisions to bear on discount store operations. The latter move includes the chain's recent decision to move responsibility for the merchandising of K mart's book departments under the umbrella of the corporation's Waldenbooks book store division.

Strong First Quarter

These moves are calculated to extend the success of the company's strong first quarter 1986 sales results. The company registered a 56.6% earnings increase for the period over last year on a more modest 4.6% increase in sales.

In June, K mart reported sales were up 3.5% for the four weeks ended May 28, and said comparable store sales for the first 17 weeks rose by 2.8%.

Those quarterly results stand in sharp contrast to the company's last fiscal year results: K mart's 2,180 U.S. and Canadian discount stores produced sales of $20,775 billion in fiscal 1985, compared to $21,040 billion produced by 2,173 stores the previous year.

In operating income, the chain's discount stores generated $1.058 billion in fiscal '85, compared to $1.101 billion the previous year.

Chairman Bernard M. Fauber said, "The pace of sales in May picked up modestly from that of the first quarter despite somewhat unfavorable weather throughout much of the period." The chairman saw the May results as proof that, "Consumers are receptive to new merchandising programs and continue to be very value conscious."

Fauber said many wage earners suffered real declines in spending power in the early '80's, creating a greater sensitivity to price and value as a means of maintaining the same standard of living.

"At K mart we responded to this new consumer need by strengthening our low price image while aggressively improving the quality of our merchandise. The result has been a significant rise in our value image with consumers and a larger purchase by each customer," said Fauber.

K mart is continuing on the same path in its apparel programs, but is concentrating on rolling out those upgraded presentations in both national and house brands. The stated goal is to achieve a broader, better assortment in apparel to improve the overall performance in soft lines.

By the fall, the chain's own Jaclyn Smith ladies' wear line is scheduled to be in all stores. And starting last spring, the chain began a 500-store experiment with girls' half sizes.

The Kitchen Korners concept in housewares is now in 90% of all stores. The program is credited with solid improvements in small appliances, kitchen appliances and gadgets. In consumer electronics, televisions, typewriters, telephones and calculators have been top performers.

Bernard M. Fauber
Chairman, K mart

K mart	Fiscal Year Ended 1/29/86	1/30/85
Sales	$20,775,000,000	$21,040,000,000
Operating Income	1,058,000,000	1,101,000,000
Stores	2,180 (1/86)	2,173 (1/85)

Source: DSN *research*

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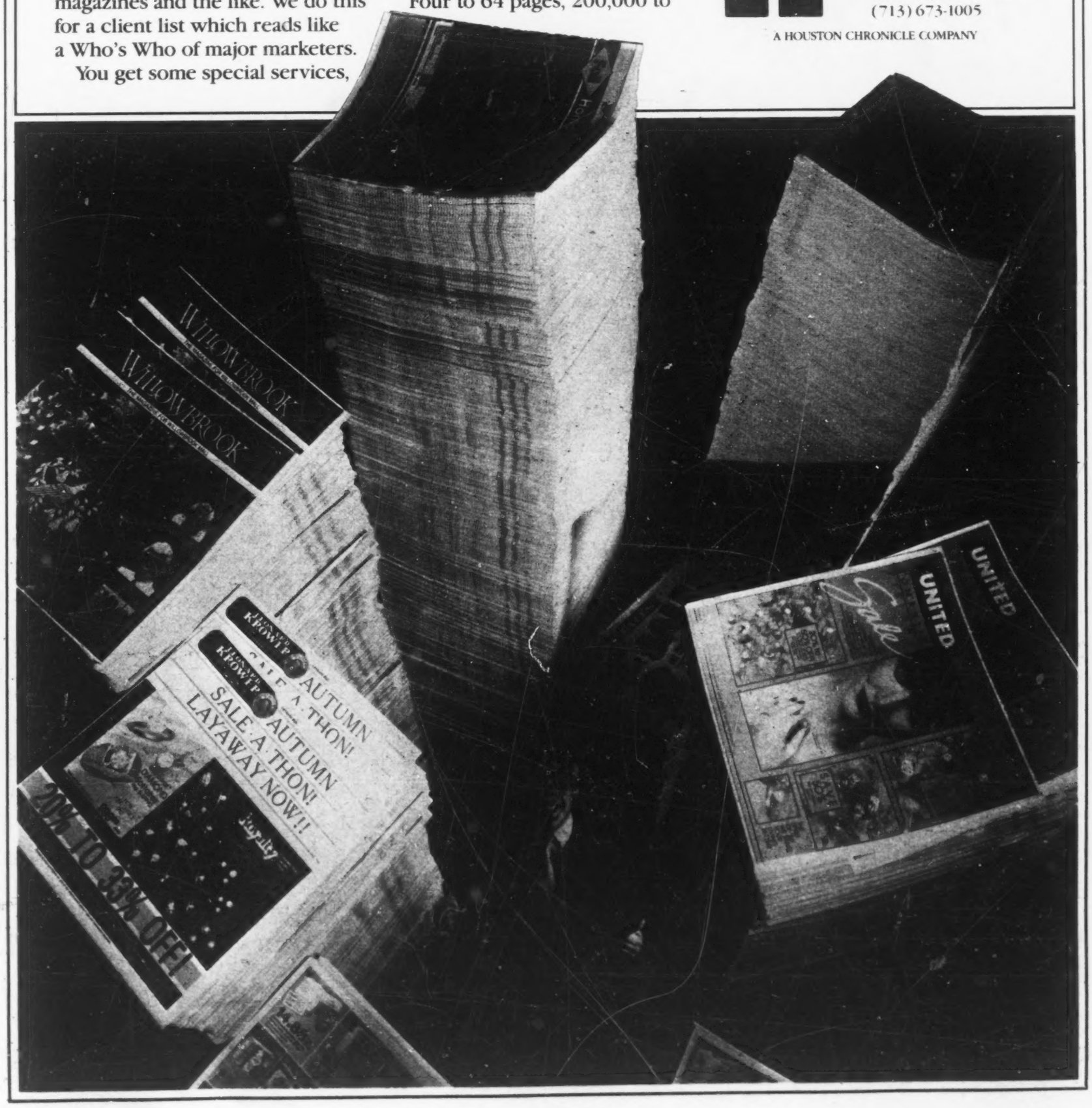
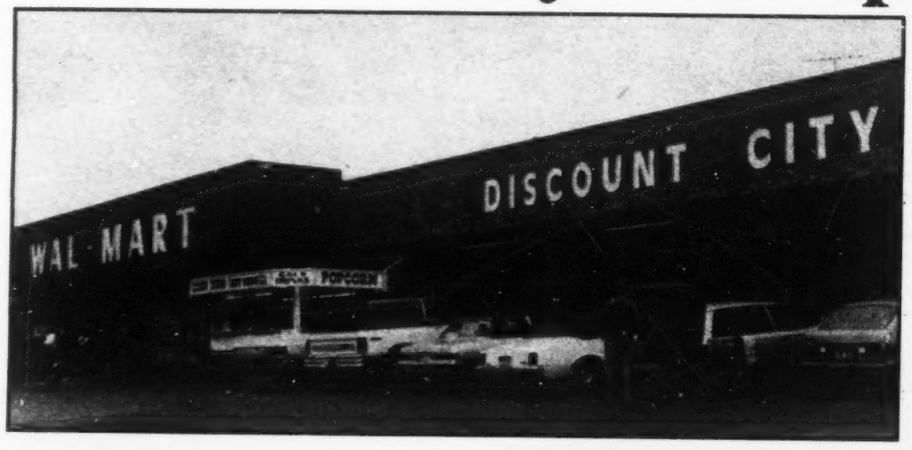
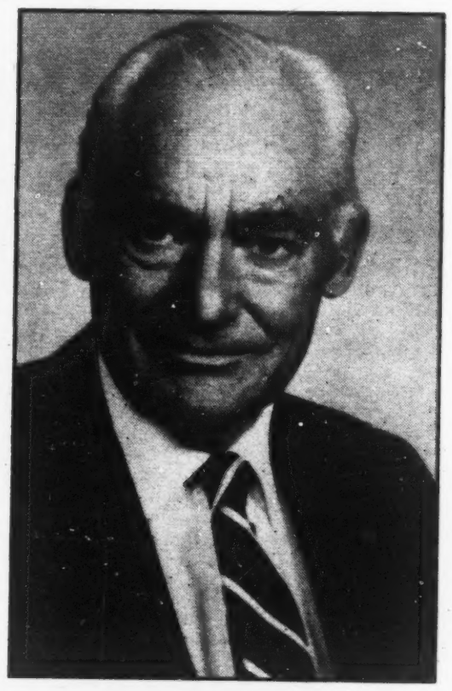


Wal-Mart Stays on Expansion Track: 115 New Stores in '86



Wal-Mart	Fiscal Year Ended	
	1/31/86	1/31/85
Sales	$7,674,000,000	$6,268,000,000
Net Earnings	327,500,000	270,800,000
Stores	859 (1/86)	745 (1/85)

Source: DSN research



Sam Walton
Chairman, Wal-Mart

2 BENTONVILLE, Ark. — Wal-Mart plans to open discount stores and warehouse clubs at a blistering pace again this year in a quest to push sales to $11 billion in fiscal 1986.

Sales for the most recent quarter climbed to $2.34 billion, a 42% increase from $1.66 billion during the weak first quarter of a year ago.

Chairman Sam Walton, meanwhile, is making headlines with his popular "Buy American" program, his massive personal fortune, a down-home style and legendary business acumen.

The chain expects to start 115 Wal-Mart stores during calendar year 1986, bringing the chain's total to 974 and duplicating last year's barrage of openings. An additional 45 existing Wal-Mart stores are slated for expansion or relocation this year.

Sam's Wholesale Club, the fastest growing and second largest membership warehouse club operation in the fledgling industry, is expected to grow by about 18 stores this year, on a base of 23 stores. The chain debuted in 1983 with three stores.

The company also opened a fourth dot deep discount drug store in the Kansas City market in May as the concept moved out of the experimental stage to become a full-fledged division. The first dot opened in 1983.

As many as eight additional dots are planned for the New Orleans, Dallas, Des Moines, St. Louis and Austin, Tex. markets. Many of those stores could open this year.

The chain is expected to experiment with locations by placing dot stores next to a Sam's, possibly in the Kansas City and St. Louis markets.

Plans were also announced to pair a Wal-Mart with a Sam's in the New Orleans market, its first joint site venture effort.

Small Store Prototype

The company was pleased this year with the performance of a hybrid Wal-Mart, a small store prototype of 29,000 sq. ft., and may roll out similar stores in markets previously considered too small for mass merchants.

In Memphis, the company opened a 70,000-sq.-ft. merchandise processing center this year with a store named "MOST" to handle defective merchandise and closeouts.

A similar store has been operating for about eight years at the Bentonville, Ark., center, but without the logo.

The results of expansion are apparent in the prodigious growth of sales and net income that has become nearly routine for the company.

Sales for the most recent fiscal year amounted to $8.45 billion, up 32% from $6.40 billion in the preceding period.

The comparable store sales showed an increase of 9% for the most recent fiscal year.

Net income for the period rose by 21% to $327.5 million, compared with $270.8 million the previous year.

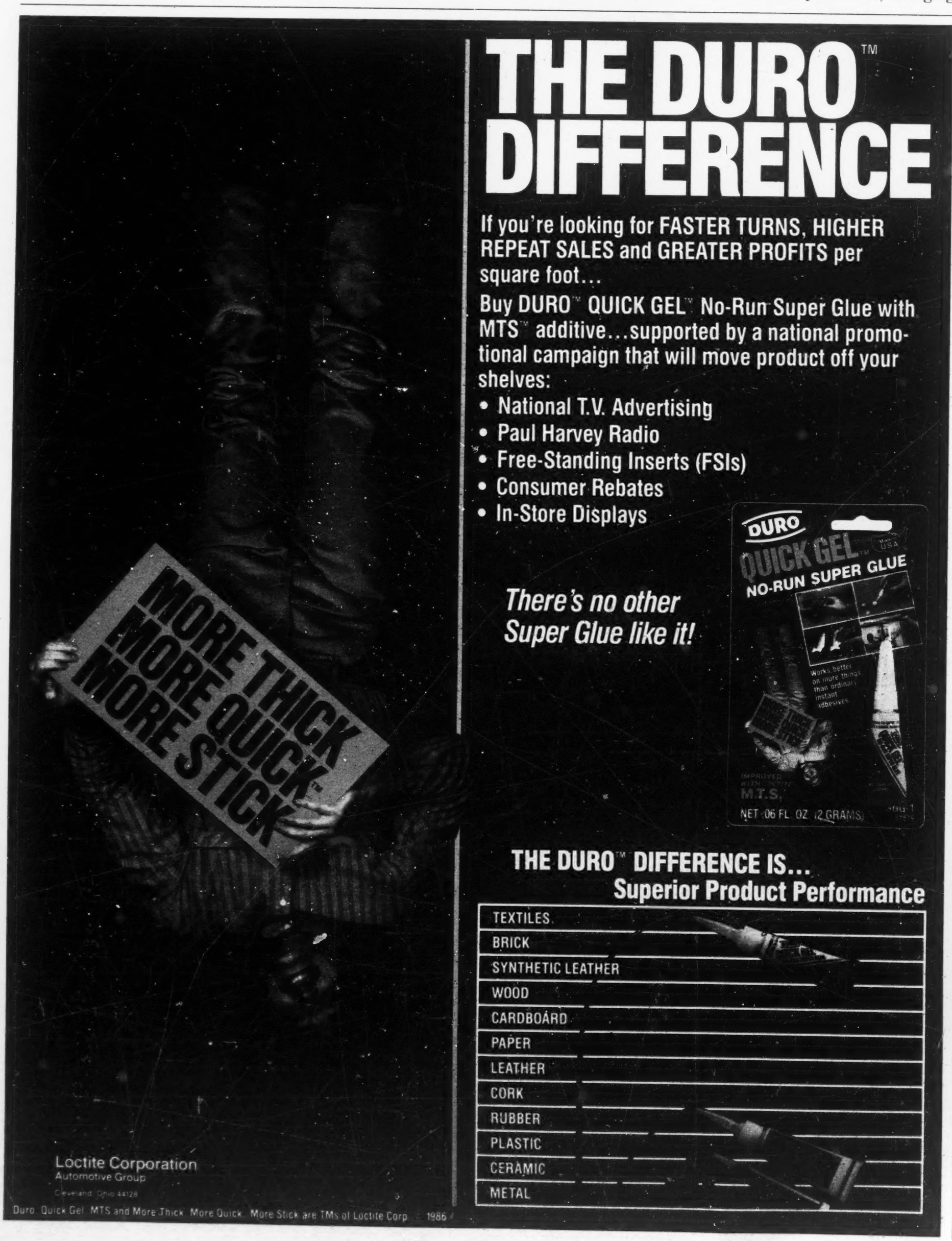
The gains were smaller than in the previous year, when sales increased 37% and comparable store sales rose 15%.

However, sales and income have grown each year since the company's initial public stock offering in 1970.

In the last 10 years, Wal-Mart's compounded annual revenue growth has been 37.5% and compounded earnings growth has been 39.8% a year.

Sam's sales for the most recent fiscal year reached $776 million, an increase of 250% over sales of $222 million in the preceding year.

Sales for Sam's are expected to reach $1.8 billion for the current fiscal year.



Target to Launch 117 New Stores by 1990

3 MINNEAPOLIS — Target is scheduled to open 21 stores this year, all cast from the mold of the chain's first new store prototype in a decade.

This year's expansion is part of a five-year plan expected to create 117 new Target stores by 1990, bringing the chain's total to 343.

The five-year plan calls for 40 new stores in Southern Michigan, 25 of them in the Detroit market. The first of the Detroit market stores will open in Dearborn late in 1987.

Parent company Dayton Hudson is showing strong commitment to the promotional side of retailing in its $4 billion expansion plan. Besides the new Target stores, the parent company will open 160 Mervyn's stores.

Most of the new Target stores for 1986 will open in established Target markets in the Southeast and on the West Coast.

Facelifts are scheduled this year for some of the chain's older stores, bringing the number of stores with the chain's new look to about 60 by year's end.

New Prototype Worlds

The new prototype, with merchandise divided into three specialty store-inspired "worlds," was unveiled late last year.

Fashion World places apparel near the store entrance; Home World brings together 10 home goods classifications in the center of the store, and Basic and Leisure World is highlighted by an expanded consumer electronics department and a central service counter.

Most of the merchandise in the new prototype is the same as in other Target stores. A notable exception is the upgraded GE assortment, where higher priced merchandise, pegged at the more affluent local customer base, puts items like big screen TV's and computer components onto department shelves.

On the financial side, Target sales rose 10.7% from $3.6 billion to $3.9 billion for the most recent fiscal year. Comparable store sales grew 6%.

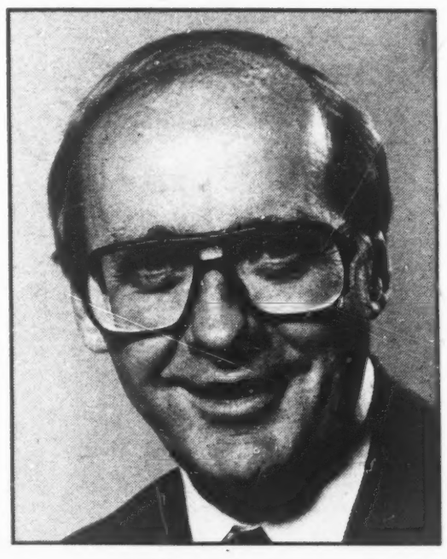
Operating income for the year grew by 18% from $235.6 million to $277.8 million. Target attributed the increase to improvements in gross margins and a better operating expense rate.

For the first quarter of 1986, sales rose 6% overall and 2% on a comparable store basis. By comparison, same store sales grew by 14% in the first quarter of last year.

The number of stores in the chain grew during the same period by 11 to a total of 226.

Target will open five stores this fall in the Los Angeles market, where the chain already has 25. Three will open in the Dallas/Ft. Worth market, which already has 11. Two are going into the Phoenix market, already the home of six Targets. One will open in Houston.

The chain is moving into no major markets this year, though it is opening some stores in smaller markets that are new for the chain. Stores will open in Wisconsin, Missouri, Minnesota, Indiana, Iowa and Montana. Beyond 1986, the chain is looking to Northern California, Detroit and Chicago.

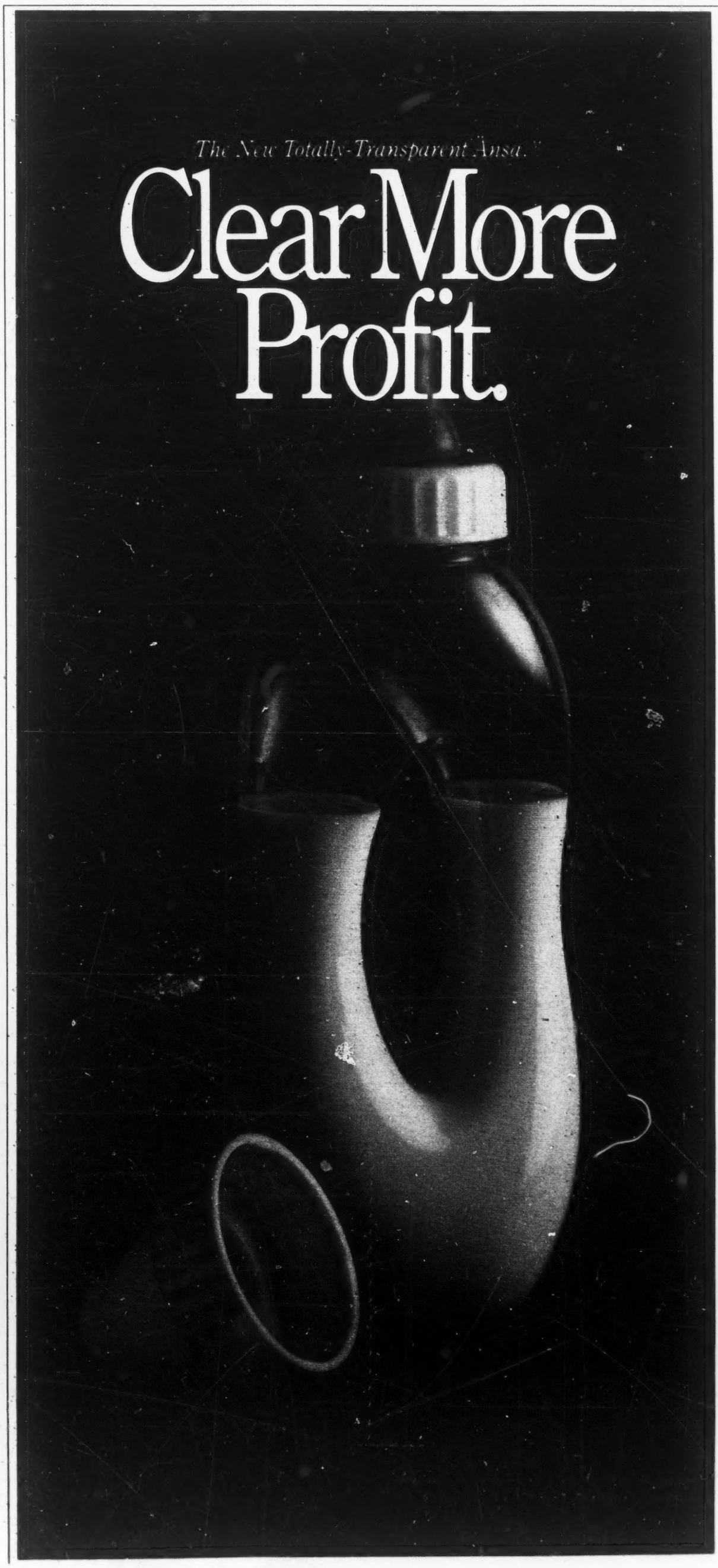


Bruce Allbright
Chairman, Target

TARGET

Target	Fiscal Year Ended 2/2/86	2/2/85
Sales	$3,932,000,000	$3,550,000,000
Operating Income	277,800,000	235,600,000
Stores	226 (1/86)	217 (1/85)

Source: DSN *research*



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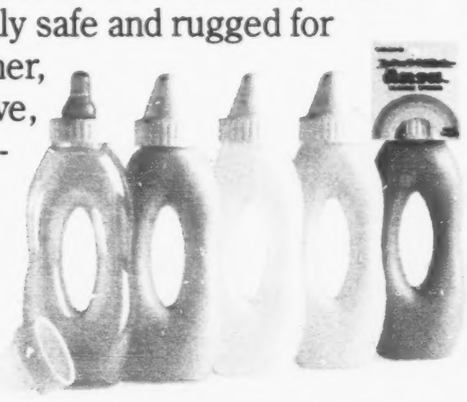

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Zayre Still on Expansion Track, Plans 25 Units by Year End

4

FRAMINGHAM, Mass. — Zayre Stores is still on an expansion track, with plans to grow to 430 units by the end of 1989.

The $2.6 billion discount department store division of Zayre Corp. plans to add 25 new stores by year end bringing its total store count to 362. The chain's plans call for it to add an average of 25 new stores each year through the end of the decade.

Backing this growth is a commitment by parent Zayre Corp. to spend $800 million in capital expenditures through 1989 on all its divisions. These include Zayre stores, B J's Wholesale Club, off-price apparel chain T. J. Maxx and women's off-price sportswear chain Hit or Miss.

Zayre Corp. also will spend $225 million during the period on store improvements and remodelings and will devote an additional $40 million to upgrade its computer and merchandise control systems.

For 1986, Zayre Corp. will back the discount department stores 25 new store opening program with $24.5 million in capital spending, all in current markets. The discount chain will add 10 to 11 stores in Florida, five or six in upstate New York, three or four in Virginia, one in Chicago and several in New Hampshire and Connecticut, said Zayre president Malcolm Sherman.

New Markets

An additional $20.6 million was slated for the continuing renovation of 27 former Gaylord stores purchased by the discounter in June 1985. That acquisition pushed Zayre into new markets in Delaware, Alabama, Georgia and North Carolina. The takeover also gave the chain dominance in New Orleans, with 11 stores in the Metropolitan Area.

Zayre is also planning to remodel between 55 to 60 stores this year and 30 to 40 more stores in subsequent years.

For the most recent fiscal year, ended January 25, 1986, Zayre reported discount stores sales rose 20.1% to $2.6 billion, up from $2.2 billion the previous year. Operating income increased 16.0% to $141.9 million, from $122.2 million the year before. Operating income, as a percentage of sales, was 5.4% in 1985 as compared to 5.4% in 1984.

During the fiscal year ended January 25, 1986, the chain opened 52 new stores, including the Gaylord acquisition, and closed five, for a year-end store count of 337.

In 1985, Zayre remodeled 41 stores. The chain also has been testing updated presentations in areas like domestics, housewares, stationery and party goods, targeted at higher-income customers.

The chain's distribution center support space has been increased with the addition of 200,000 sq. ft. to both the Atlanta and Chicago facilities.

Zayre has reinforced its committment to sophisticated point-of-sale systems with the recent expansion and addition of several functions. By the end of this year, Zayre expects to complete chainwide installation of its on-line credit card authorization service, already in more than 300 stores. The chain is also planning to add price look-up for everyday merchandise to its registers.

In a reorganization of senior ranks, John Levy, former executive vice president and general merchandise manager, was named to the new position of senior executive vice president of merchandising, distribution and systems.

Raymond Wysocki was promoted to senior vp and replaces Levy as general merchandise manager. Wysocki had been vp and senior merchandise manager.

Malcolm Sherman
President, Zayre Stores

Zayre Discount Stores	Fiscal Year Ended 1/25/86	1/26/85
Sales	$2,638,000,000	$2,196,000,000
Operating Income	141,900,000	122,200,000
Stores	337	290

Source: DSN *research*

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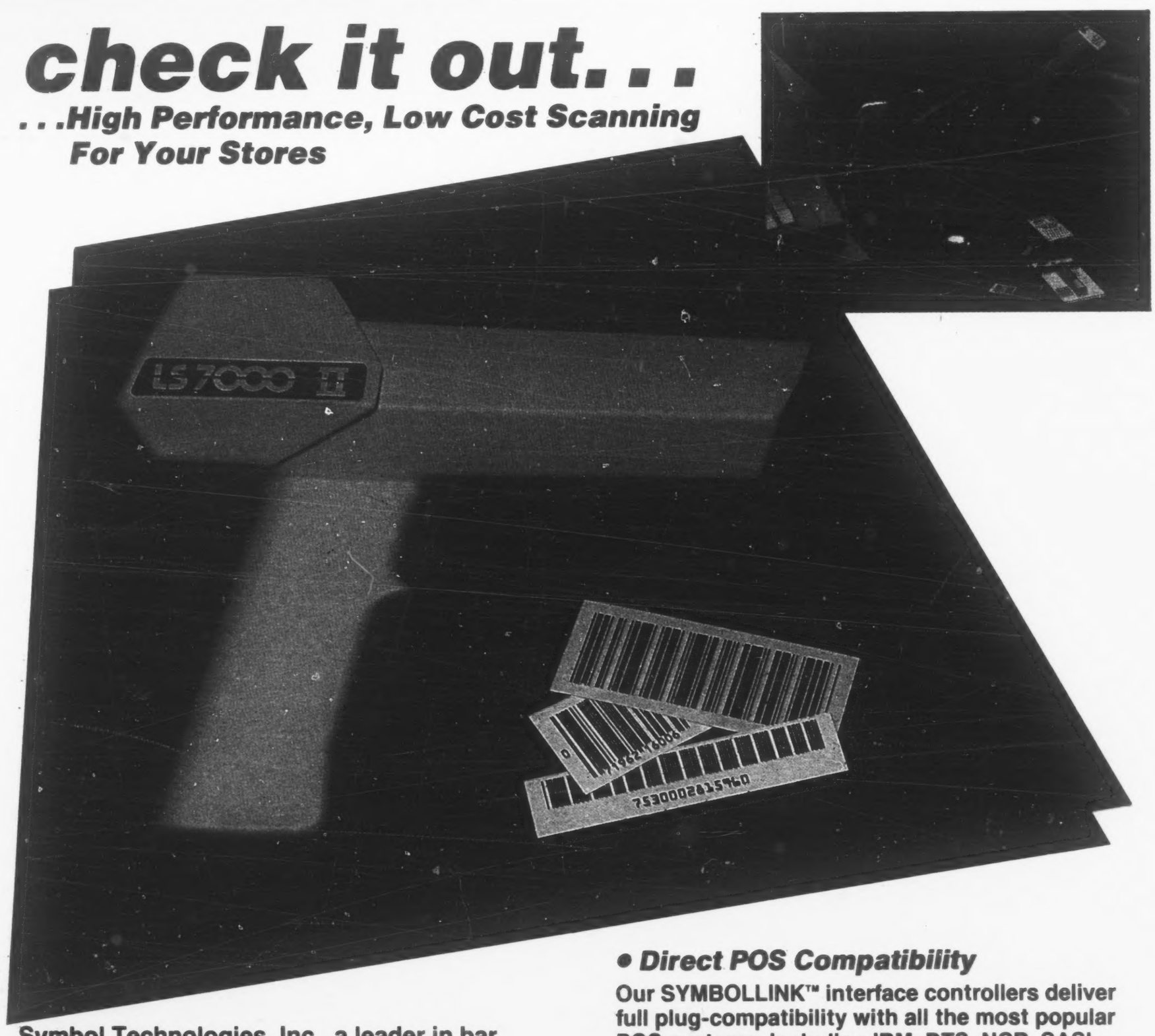

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Service Refocuses Strategies on Showrooms, Bottom Line

5

NASHVILLE — Service Merchandise will concentrate its efforts this year on returning its bottom line results to the high profit levels of past years.

The inevitable move in that endeavor will be to strengthen the diversified retailer's core Service Merchandise catalog showroom operation which turned in mixed results last year.

The major question mark is the future of the company's highly unprofitable Mr. HOW Warehouse home center chain, whose 20-store expansion planned for this year was recently put on hold.

The catalog showroom focus will be on maintaining a stronger in-stock position, particularly in the vital fourth quarter sales period. This is expected to be accomplished through such steps as smoothing out Service's automatic replenishment system (set up last year) and the inauguration, now underway, of a massive 870,000-sq.-ft. distribution center for the Northeast that will serve as a prototype for other regions.

Implementing the automatic replenishment system late last year resulted in stock shortages during the fourth quarter, Service chairman and president Raymond Zimmerman said.

The new Northeast regional distribution facility in Montgomery, N.Y., will serve the 142 showrooms currently in operation in an area extending from Maine south to Maryland and west to Michigan.

The semi-automated facility is equipped with laser scanning units and high-speed conveyors. A satellite system is used to communicate orders and other information with Nashville.

As for Mr. HOW, Service executives downplay trade reports that the troublesome operation will eventually be sold. They contend the company will stick with Mr. HOW and even turn it around.

What could be the start of the expected scaling down of the warehouse home center chain occurred this spring when six Mr. HOWs in Chicago were sold. We "got rid of our biggest problem," Zimmerman asserted, adding the 22 other warehouse home centers "will remain right now."

In disposing of the six Mr. HOWs, Service took a pretax charge of about $8.5 million. That charge points up the negative impact that the warehouse home centers have had on Service, whose showroom operations were once among the industry's most profitable.

DSN estimated Service's 287 catalog showroom volume in the fiscal year ended Dec. 28, 1985 at $2.2 billion, up 39.8% from an estimated $1.6 billion. While the cataloger opened 18 showrooms, a major portion of that increase was due to the 87 stores gained through the acquisitions of the H.J. Wilson and Ellman's showroom chains in May 1985, which *DSN* estimated contributed about $500 million in sales.

Raymond Zimmerman
Chairman, President,
Service Merchandise

Service Merchandise	Fiscal Year Ended	
	12/28/85	12/29/84
Sales	$2,247,000,000*†	$1,607,000,000*†
Earnings	10,733,000	44,576,000
Showrooms	287 (1/86)	175 (1/85)

* DSN estimate † Catalog showroom division sales only Source: DSN research

DSN estimated Mr. HOW's sales from 27 units at about $279 million last year, a fivefold increase from about $50 million from 12 stores in the previous year.

Overall, Service's volume amounted to $2.5 billion, a 52.5% jump from $1.7 billion.

Service's strong sales gains, however, failed to drop to the bottom line; net income plunged 75.9% to $10.7 million from $44.6 million, due to Mr. HOW's red ink and the cost of the Wilson and Ellman's acquisitions.

The company provided limited specific financial information on its showroom operation. Comments on Mr. HOW were confined to noting in a fiscal year report to stockholders "continuing losses experienced by our home improvement business."

Service's gross margin (as a percent of sales) slipped 12.4% to 21% from 24.2% "due largely to the liquidation of noncompatible" Wilson and Ellman's merchandise "as well as a slight decrease in Service's margins."

Selling, general and administrative expenses (as a percent of sales) went up 3% to 17.1% from 16.6% due to such costs of the acquisition as a sharp increase in advertising and the one-time cash payment for Wilson.

The company's total advertising cost went up 49.5% to $72.5 million from $48.5 million, with a large portion of the increase budgeted for the promotion of Service's takeover of Wilson and Ellman's. Service acquired Wilson for $163.5 million, of which $111.7 million was in cash and $51.8 million in interest-bearing notes.

Best Retools Showrooms to Return to Profitibility by Year End

6

RICHMOND — The overhauling of Best Products' showroom operation continues, with the first signs of a turnaround expected to be evident this fall.

Robert Huntley, president and chief operating officer, said "1986 will represent no more than the first milestone on the road back to satisfactory profitability because of the number and magnitude of projects we still have to complete."

He acknowledged Best's extensive store renovation and management reorganization programs "hurt sales and earnings" in 1985. The turnaround projected for the second half of the year would be "a moderate increase in sales, depending on the retail climate, and steady gross margin improvement," he added.

Bernard A. Cohen, executive vice president and president, retailing group, explained Best's core showroom business needed "an overhaul, not just minor repairs. We can't start over and buy a new company, so we have to spend money to fix it."

The cost of starting to fix Best's showroom operation last year caused an 0.8% drop in total company sales to $2.2 billion from $2.3 billion and a 83.7% plunge in net income to $2.2 million from $13.6 milion.

The sales decline, along with markdowns of discontinued merchandise, increased promotions and deflation for consumer electronics, resulted in gross margins (excluding LIFO adjustments) also slipping 0.8% to 24.1% from 24.3%.

Best's showroom division was the key to the diversified retailer's overall static performance. The catalog division's sales slipped 1.2% to $2.19 billion from $2.21 billion, while volume at the company's two other operations went up: Ashby's 33 ladies' apparel stores' sales increased 11.9% to $32.3 million from $28.9 million and the 11 Best Jewelry stores' volume jumped 76.9% to $10.5 million from $6 million.

Best's flat performance masked some hopeful omens.

The cataloger's efforts to boost sales of higher margin jewelry paid off as this category's share of total volume reached a new high of 17.1%, a jump of 16.3% from 14.7% in the previous year.

Management and operational reorganizations resulted in selling, general and administrative expenses as a percentage of sales rising only 0.9% to 19.5% (or $435 million) from 18.6% (or $419 million). Advertising costs dropped 1.3% to $69.6 million from $70.5 million as some regional promotions were eliminated. Salaries went up 1.2% to $207.5 million from $205.1 million as wage increases and additional staffing in some areas partly offset the reorganization's overall staff reductions.

The major on-going Best overhaul is the three-year, $100 million modernization of 107 older showrooms, half of the chain's 212 stores, to the new prototype unveiled last year. This program was launched in 1985 with the $25.3 million revamping of 22 showrooms; this year $31.3 million is budgeted to refurbish 37 units.

Andrew Lewis
Chairman, Best Products

Best Products *	Fiscal Year Ended	
	2/1/86	2/2/85
Sales	$2,191,911,000	$2,217,799,000
Operating Income	7,059,000	30,370,000
Showrooms	213	204

* Catalog showroom division results only Source: DSN research

The refurbishing effort also involves using the Best logo for all the showrooms by 1987.

All of the 37 showrooms being updated will be renamed Best. They are part of the 74-unit Modern Merchandising chain that Best acquired in 1982 and which now use either the LaBelle's, Jafco, Dolgin's or Great Western logo.

Overhaul projects due to be finished this year include installing a new warehouse layout in all the showrooms, inaugurating a new, speeded up checkout system in 53 stores, opening leased central distribution centers (CDC) and unveiling a new $32.7 million headquarters addition.

The new layout of the showroom warehouse groups merchandise by category like toasters or VCRs, rather than by manufacturer. At the same time, the fastest selling items are located closest to the conveyor belt for quicker delivery to customer pickup.

The Best Express checkout system being tested in 53 showrooms guarantees shoppers will receive their orders at the pickup desk within eight minutes. The speeded up delivery to the pickup station is made possible by the new warehouse system.

The three leased CDCs, due to be fully operational by July, will enable Best to provide faster replenishment to 72 stores in the Midwest and Pacific Northwest, while also stocking merchandise for flyers and seasonal promotions. The 72 showrooms are former Modern units that couldn't economically and efficiently be served by Best's four current CDCs.

TRU Sets Sights on 25% Share by 2000

7

ROCHELLE PARK, N.J. — Toys "R" Us (TRU), with sales of nearly $2 billion in the most recent fiscal year, plans to establish toy stores in three new domestic markets and three new foreign markets this year and next.

The movement into new markets is part of the push to increase the chain's market share to 25% by the year 2000.

According to TRU estimates, the company's slice of the U.S. toy market has already reached more than 15%, up from 5% in 1978.

This year, TRU intends to start about 51 toy stores worldwide, with 40 of the new stores in the United States, five in Canada, four in the United Kingdom and one each in Hong Kong and Singapore.

The openings will bring the chain's total to 297 by year's end, including 273 in the U.S., 12 in Canada, nine in the U.K., two in Singapore and one in Hong Kong.

Besides new foreign ventures in Hong Kong and Montreal, TRU is expanding out from existing U.S. markets this year into new cities.

In 1987, the chain plans to move toy stores into new domestic markets, Pittsburgh and Phoenix, and overseas in West Germany.

Kids "R" Us

About 20 Kids "R" Us (KRU) children's clothing stores will debut this year, more than doubling the division's store count to 43 by year's end.

A distribution center opened late last year in Franklin Township, N.J., will service all of the KRU stores.

Financial results reflect the chain's continued success.

For the quarter ended May 4, 1986, the chain had sales of $368.4 million, up 13% from $326.0 million during the corresponding period last year. Net earnings for the first quarter dipped 15% from a year ago, to $10.3 million this year from $12.2 million.

Company executives said they were pleased with the first quarter results because they are being compared with a very strong sales period last year that included a boom in Cabbage Patch doll business.

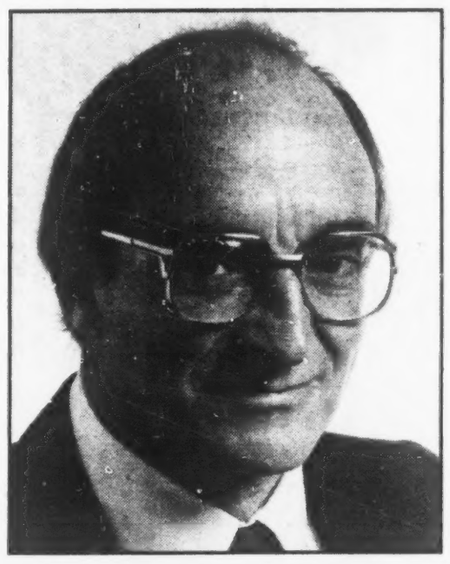
Sales for the most recent fiscal year reached $1.98 billion, an increase of 16.1% over last year. The previous year, sales rose by 29% from $1.3 billion.

Comparable store toy sales rose by 2.4%. In the previous year, comparable store sales went up by 14.4% and the year before that by 13.5%.

Earnings reached nearly $120 million during the last fiscal year, up from $17 million in 1978 for an annual growth rate of more than 32%.

Cost of sales as a percentage of sales has remained fairly flat for the last three years.

Selling, advertising, general and administrative expenses as a percentage of sales increased to 20.7% in the lat-



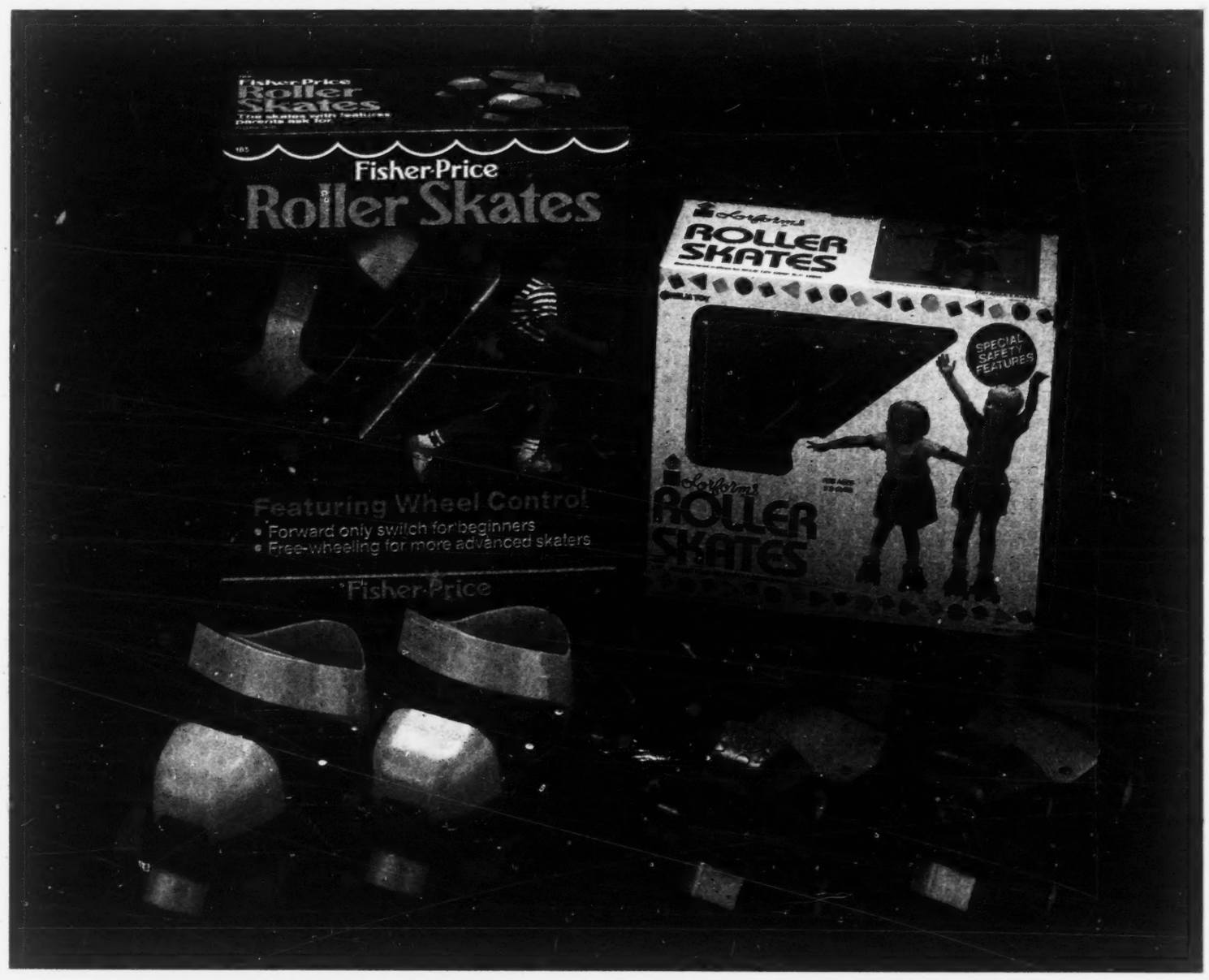
Charles Lazarus
Chairman, Toys "R" Us

TOYS "R" US®

Toys "R" Us	Fiscal Year Ended 2/2/86	2/3/85
Sales	$1,976,000,000	$1,701,000,000
Net Earnings	119,800,000	111,400,000
Stores	246 (1/86)	198 (1/85)

Source: DSN research

"Knocking off" Fisher-Price® can be short sighted and expensive.



Fisher-Price has promptly and successfully concluded a March 11, 1986 legal action against Helm Toy Company of New York City for patent, trademark and trade dress infringement of its Roller Skates. Helm has admitted the validity of Fisher-Price's Patent No. Des. 282,095 and Fisher-Price's trademark and trade dress rights and has acknowledged infringement. In a final judgement to be entered, Helm will be ordered to pay substantial cash damages to Fisher-Price, will substantially modify the design of the infringing skates and will be permanently enjoined from further infringement.

To Our Customers:

Helm infringed Fisher-Price's patent, trademark and trade dress rights. Fisher-Price appreciates and applauds the voluntary action of those major customers who removed the infringing Helm product from their shelves.

We remind our customers that the lifeblood of the toy industry is *unique* new product. Innovative products most often come from an up-front investment in design, market research, engineering, and molds by a manufacturer. When major retailers support "knock-off" products that undercut the manufacturer responsible for innovation, they hurt the industry as a whole.

To Toy Manufacturers:

Fisher-Price spends a great deal of time and money designing and engineering some of the finest toy products in the world. We have protected our concepts, designs, mechanisms, packages, etc., with patents, copyrights and trademarks. We will *not* tolerate infringement of our legal rights and we will seek *maximum* damages from those who produce and/or market infringing products.

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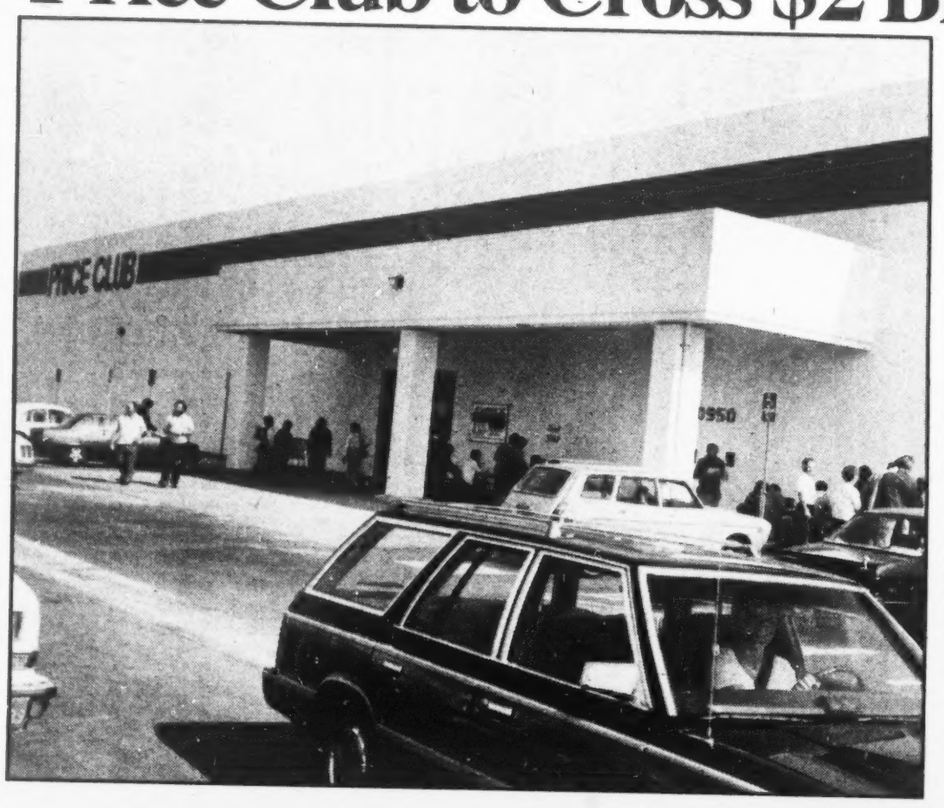
Price Club to Cross $2 Billion Mark with 28 Units by Year End



Sol Price
Chairman, Price Club

SAN DIEGO — But on the seventh day, Sol Price didn't rest. An original pioneer in the discount retailing industry—as a founder of FedMart—Price and his son, Robert invented a new form of discounting, once again blazing a new trail for others to follow.

The Price Club, a members-only wholesale/retail warehouse operation, will easily exceed the $2 billion sales mark for its current fiscal year, which ends Aug. 31. Such a volume puts Price Club firmly among the ten largest discount merchants in the country.

This sales volume is especially notable considering that it grew from precisely zero just a decade ago. Perhaps even more impressive is that there were no deep pockets of a parent company to finance Price Club's growth.

Instead, this new Price empire began with a $2.5 million stake in 1976. Most of this modest start-up capital was raised in $5,000 lots from friends and associates of the Prices.

In its last complete fiscal year, ended Aug. 31, 1985, Price Club posted sales of $1.83 billion and a net income of $46 million. The sales increased a whopping 61% from fiscal 1984's $1.14 billion, in part because six new warehouses were added to 1984's store count of 15. Still, comparable warehouse sales grew by a substantial 22% during fiscal 1985.

During the current fiscal year, seven more warehouses were opened—doubling the count to 28 units in just two years. Price Club also entered three new Eastern markets this year. In November, the club opened its first Maryland warehouse. More recently, a Philadelphia unit introduced Price Club in that market and two suburban New York warehouses opened next to the nation's largest city. One unit opened on Long Island, in Smithtown, N.Y., and another in East Rutherford, N.J., about 15 minutes west of Manhattan.

Three additional warehouses opened in Price Club's home state of California in the current fiscal year.

Average of 18 Turns

Despite the Price Club's huge volume, inventory investment is miniscule. Because merchandise turns an average of 18 times annually, most goods are already sold by the time an invoice comes due.

While the warehouses carry a full line of hard goods, soft goods, H & BA and consumables, with the exception of fresh foods, the assortment is limited.

All merchandise are brand names bought on deal and margins are a super-thin 10%. According to Price Club, 60% of its volume comes from wholesale customers, who presumably offer their purchases for resale, and the balance from retail group members. Group members are individuals selected from employer institutions such as utilities, banks and credit unions and government agencies. Customers from these groups are preferred because it is believed they are unlikely to write bad checks. Price Club does not offer credit in any form.

Price Club, which opened its first warehouse here in July 1976, had a rocky first year, posting its first and only loss, but survived to open its second unit in Arizona in 1978. Still a privately-owned company, a third warehouse was opened in Santee, Calif., in 1979. The company's stock went public in 1980 and expansion has continued in every year since 1981.

Central Sales Promotions
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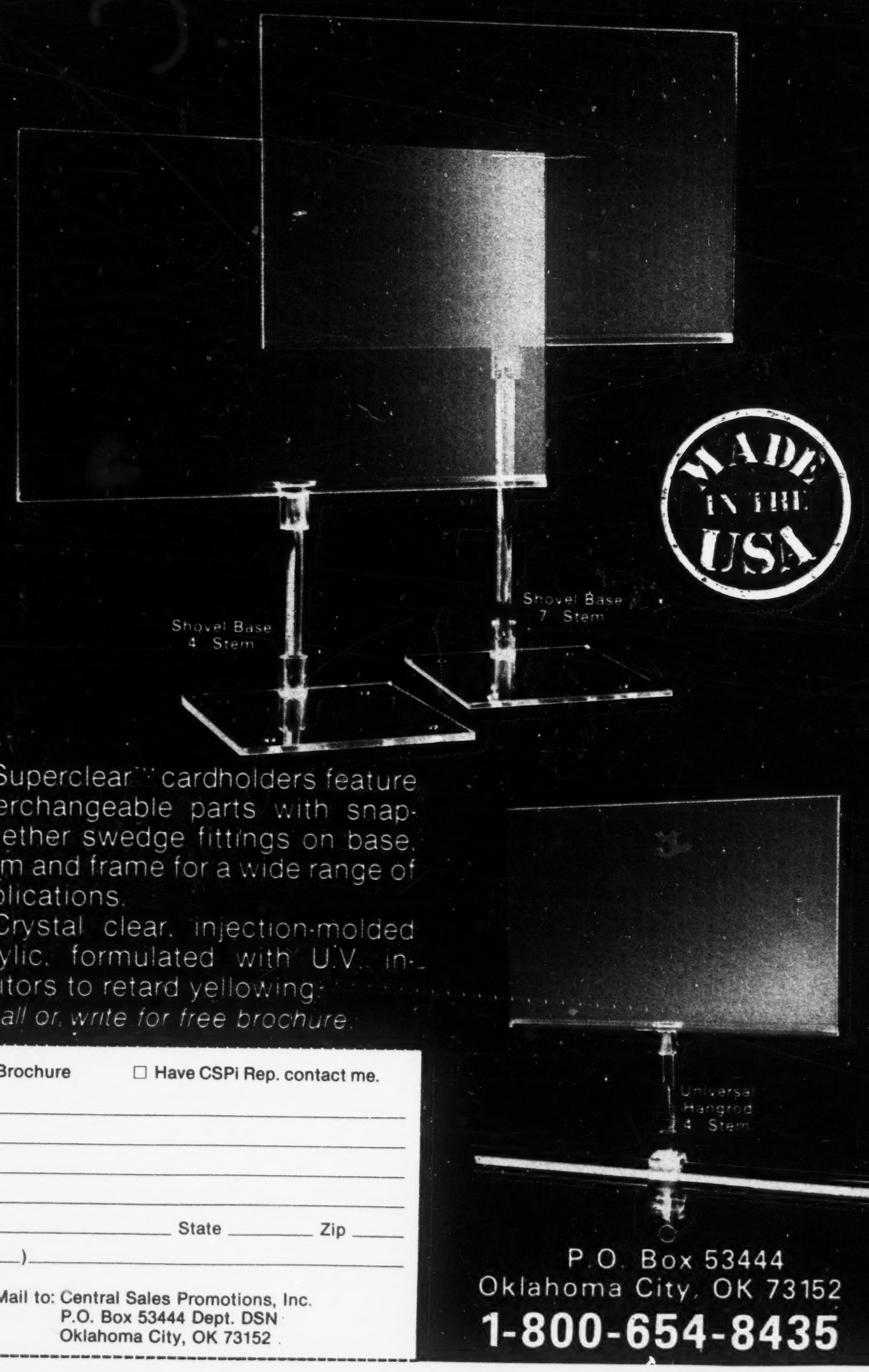

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Bradlees Focuses on POS, Back-to-Basics Strategies for 1986

9 BRAINTREE, Mass. — Once tagged "the department store with a difference," Bradlees is back to being a discount chain.

But, as one security analyst recently explained, "it's a slow process that involves much fine-tuning."

As part of its current—and costly—turnaround program, Bradlees is scheming to end 1986 with improved management information systems, better inventory controls and higher earnings than it charted in the past year.

Stop & Shop will spend $215 million on its Bradlees division through 1988. That includes installing POS equipment in the 112 of its 156 stores that don't already have electronic registers by the end of 1987.

Management information systems (MIS) are a key part of the equation to recoup profits at the chain, which had been stressing higher quality, more expensive merchandise rather than efficient systems.

Late last summer, Bradlees adopted sharper everyday low prices on basic and commodity items in response to a loss of market share that had started late in 1984. Advertising was also stepped up with lower promotional prices and more pages in each circular.

Operating Profits Down

As a result, the chain's operating profits plummeted by 60% to $30.7 million for 1985. (For the fourth quarter alone, profits dropped 44.6%.) Sales were up by 15.4% to $1.6 billion for the year.

In effect, Bradlees traded margins for increased store traffic and higher volume.

To make that competitive strategy eventually pay off at the bottom line, the next step is to implement more efficient planning of promotions via larger buys and better control of inventory levels using MIS.

The new POS equipment, which is the latest from IBM, will allow for faster tracking of sales and also enable the chain to use UPC bar code scanning and price look-up.

In addition to the operational improvements, the discount chain also faces the task of refurbishing the 16 former Jefferson Ward stores it purchased last May. The stores, which are all in Philadelphia, now have the Bradlees banner but a complete reformatting will take two to three years.

At the same time, Bradlees' expansion is continuing with eight new stores planned to open this year and another eight planned for 1987.

The remodeling program will include five of the former Jefferson Ward units and two other Bradlees this year. Each renovation reportedly costs about $2 million.

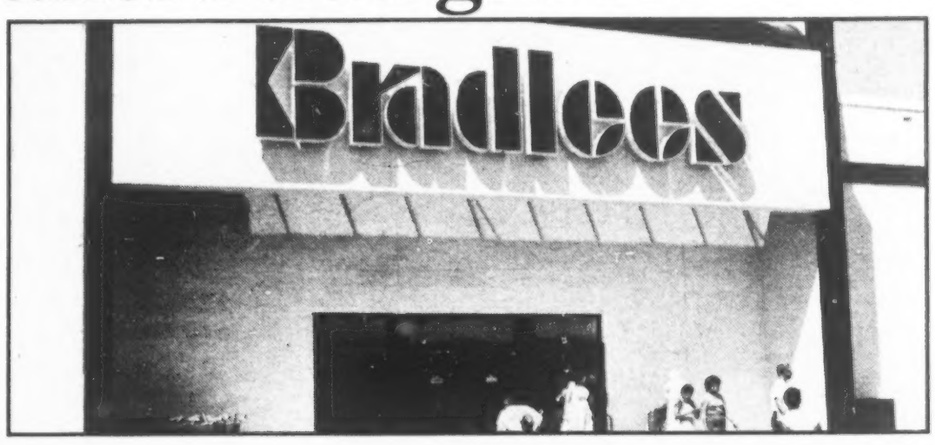
The chain will have to reach its goals without a president. Harry Kohn, who had been president, resigned as of July 1, prompting a reorganization that has five vice presidents report directly to Harold Frank, chairman and chief executive officer of the chain.

According to official announcements, there are no plans to replace Kohn.

George Granoff is now executive vp, merchandising. Richard S. Silverman was named senior vp, store operations. Edward Cooney, senior vp of administration services, took on information systems. C. Robert Peacock was named senior financial manager in charge of control and accounting operations. Fred Gelfand, vp, director of marketing, will now be handling consumer affairs as well as advertising sales promotion.

At Stop & Shop's annual meeting, chairman Avram Goldberg stressed that the gross margins will never get as high (about 7%) as they were before last year.

Harold Frank
Chairman, Bradlees



Bradlees	Fiscal Year Ended 1/31/86	1/31/85
Sales	$1,620,000,000	$1,404,000,000
Operating Income	30,700,000	85,200,000
Stores	157	132

Source: DSN *research*

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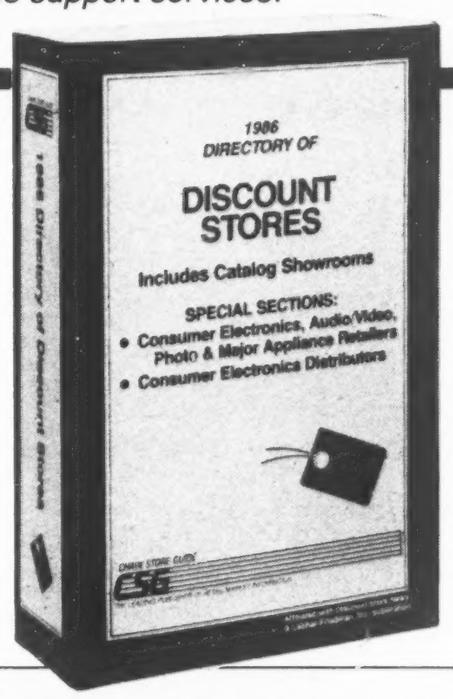
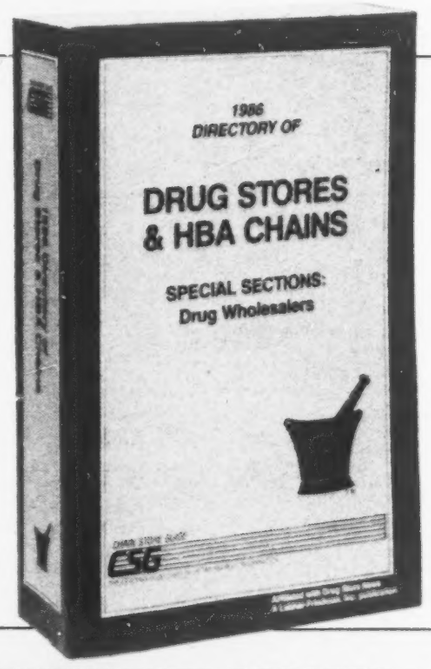
- *Support your sales efforts by generating in-house direct mail promotions throughout the year while targeting these mailings at specific segments of the marketplace and at key decision-makers by name.*
- *Use as a telemarketing tool for your in-house sales organization and sales support services.*



1986 DISCOUNT STORES/CATALOG SHOWROOMS/ CE RETAILERS/CE DISTRIBUTORS
Published in March, 1986
Provides complete company profiles on 325 discount store companies operating 8,250 stores.



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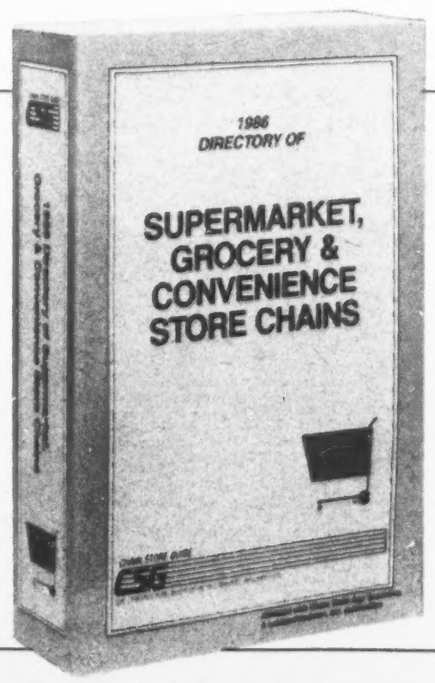

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Ames Continues Integrating Murphy's, Plans More Units

10

ROCKY HILL, Conn. — The goal at Ames through the current year will be to continue integrating the operation of its own chain with the G. C. Murphy discount and variety store chains it acquired in June 1985.

In addition, the chain has announced plans to open 21 new stores by the end of this fiscal year.

In line with its integration efforts, the now $1.5 billion retailer plans to remodel 21 stores by the end of the year and focus on realigning G. C. Murphy's operating systems, methods and procedures to conform with those of Ames.

The realignment is expected to gradually bring Murphy's Mart discount chain's net operating margins, which approximated 2% in fiscal year ended January 1985, up to that of Ames', which was 3.5% for the same period.

Ames is also striving to cut the 14% payroll/sales ratio at Murphy's Mart stores to the 8% to 8.5% of sales for payroll in Ames stores. The goal for sales per sq. ft. at a Murphy's Mart store is $112, which was the average sales for an Ames store during the previous fiscal year.

Integrates the Assortments

Company executives said Ames is still working to integrate the two discount chain's assortments into one mix with one price set. To that end, the chain recently completed installation of its IBM registers in all Murphy's Marts stores, adding sales tracking and information gathering functions.

Peter Hollis, who will move over to Ames later this summer as president and chief operating officer from Fisher's Big Wheel where he held the title of president, will help guide the discount chain through these efforts.

The chain currently consists of 306 discount stores, including 108 former Murphy's Marts discount stores, and 144 former Murphy variety stores.

The variety store chain is being operated as an independent division out of former G. C. Murphy headquarters in McKeesport, Pa.

Company sales, including volume from G. C. Murphy stores, for fiscal year ended January 25, 1986, jumped 84% to $1.513 billion as compared to sales of $822.0 million the previous year.

Earnings rose almost 42% to $40.4 million from the prior year's earnings of $28.5 million.

Overall, the absorption of the G. C. Murphy company has occupied most of Ames' efforts during the recent fiscal year.

Ames spent $205 million for the 381-store G. C. Murphy company. G. C. Murphy, which operated stores in Pennsylvania, West Virgina and adjacent states, reported sales of $913 million for fiscal year ended January 31, 1985.

Since the acquisition, Ames has sold or closed 10 discount stores and 118 variety stores because they were unprofitable or unsuitable geographically.

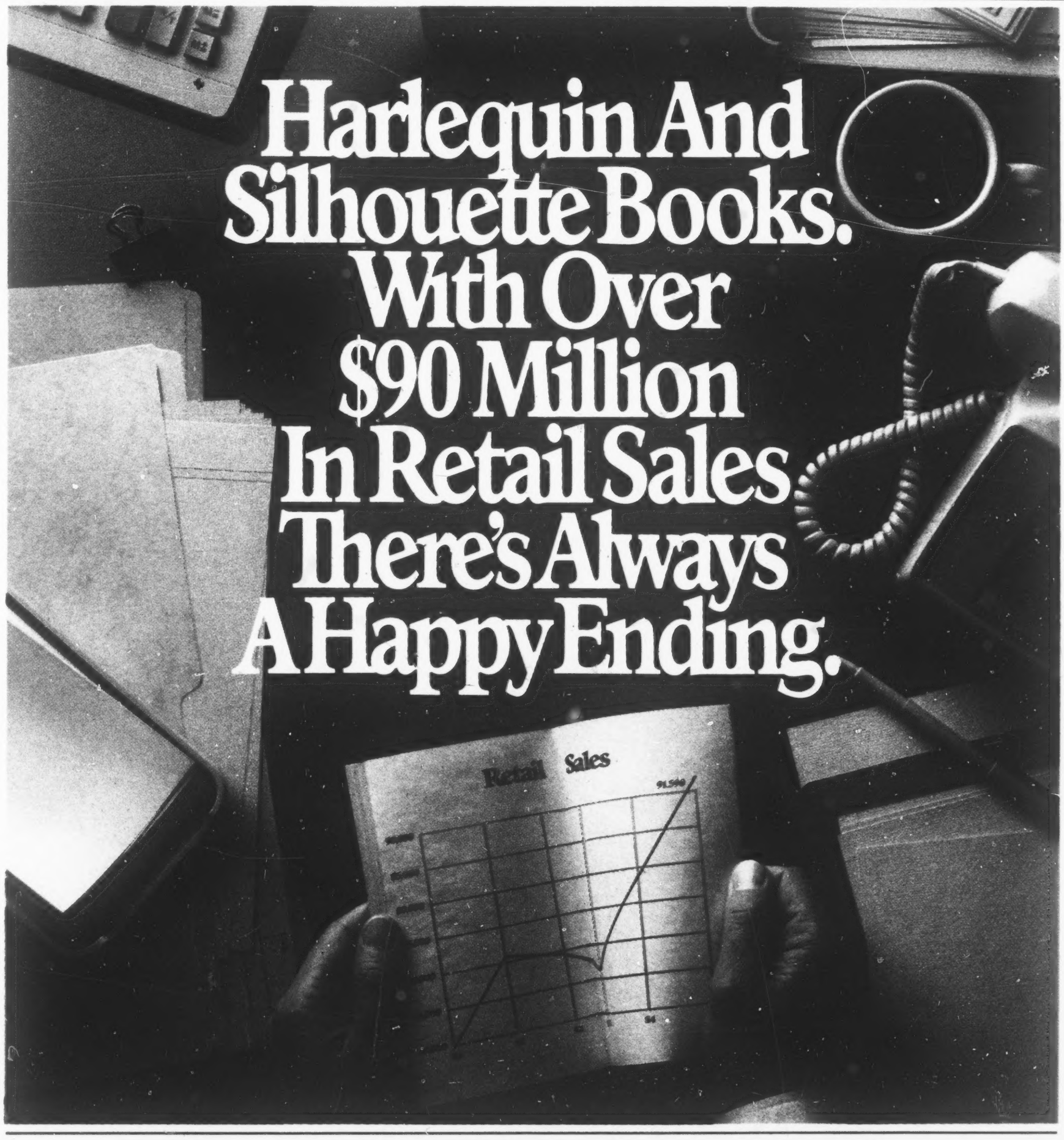
Ames launched a remodeling effort of the Murphy's Mart stores, changing each store's name as a remodel was completed.

By the end of the previous fiscal year, Ames had completed the installation of IBM electronic point-of-sale equipment in all of the Murphy's Mart stores; had fully integrated the merchandising staff of both discount chains; had restructured and combined store field management and had reequipped a former Murphy distribution facility in Fredericksburg, Va.

Herbert Gilman
Chairman, Ames

Ames	Fiscal Year Ended 1/25/86	1/26/85
Sales	$1,513,000,000	$822,000,000
Operating Income	40,400,000	28,500,000
Stores	326	306

Source: DSN research



Harlequin and Silhouette books generated over $90 million in retail sales last year. That represents over $27 million* in gross profit at retail and makes for a very happy year end. When you consider what you don't have to do to get your share of the profits – no warehousing, no pricing, no worrying – it's an even more impressive profit story. And with guaranteed sales there's no risk, all reward.

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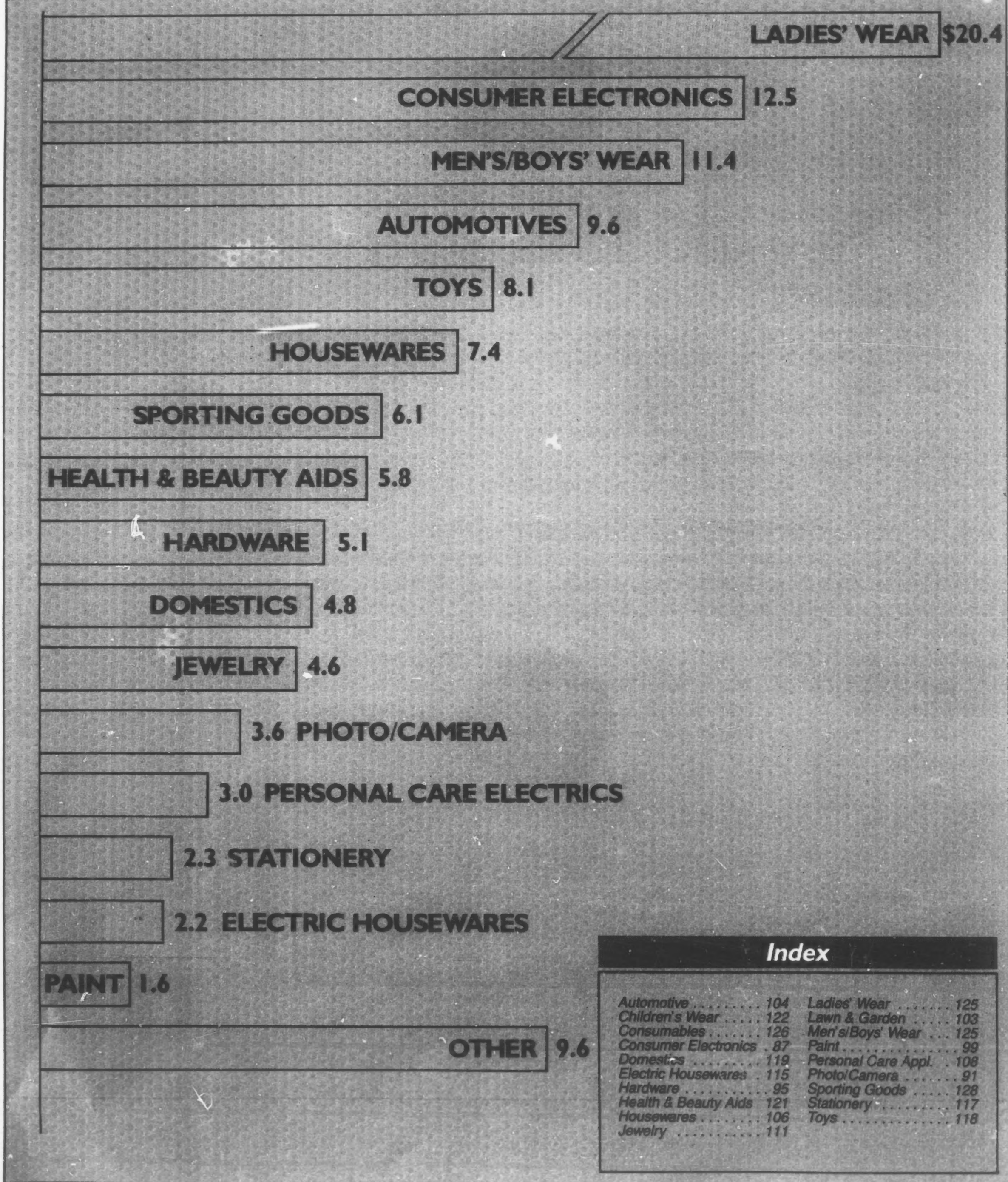
*Based on 30% Discount.

Merchandising Profiles

Total Discount Industry Sales to Hit $126.1 Billion*



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Source: DSN *research*

**Includes $8 billion in sales from membership warehouse clubs.*

Color TVs, VCRs, with Features to Drive 2nd Half CE Sales

Nationwide DSN Report

Discounters are betting on a resurgence in consumer electronic sales in the second half that will begin when consumers discover that an array of products have become available at very attractive prices.

The star products will continue to be color televisions with features, VCRs with features, and continued, growing interest in audio products like compact disc players.

Discount department store chains like Gold Circle, Target, Zayre and Venture have adopted a promotional strategy that doesn't require them to go head to head with specialty discounters like Circuit City, Crazy Eddie, Highland and Silo.

These specialty chains have been able to compile enviable sales and earnings records while full line discount department stores' results have been sluggish. At the mid-point of the second quarter, the major discount department store chains chose to stay in stock on key product areas such as color televisions and VCRs, but they put more emphasis on less volatile audio products.

Reduced Prices

Target, for example, featured Sony and Sharp boom boxes from the lower end of the assortment with a $44.99 price point on the Sharp units—a 10% saving—and $79.99 on an $89.99 Sony unit. The chain also offered higher-end AT&T cordless phones for $97.99, a $22 saving, and a $79.99 Sanyo phone answering machine at $69.99.

Gold Circle shifted its promotional emphasis to audio, but it has offered good buys in video and an array of software and accessories in audio and video to reinforce the perception of broad assortment.

In audio products, the chain's promotional emphasis was on $39.99 Lenoxx and $99.99 Yorx-brand boom boxes. An electronic musical keyboard by Yamaha was offered at $119.99, a $10 saving. Among the video hardware products being promoted were a Contec brand 19-in., color television at $269.99, a $30 saving, and an Emerson VCR with wireless remote at $269.99, also a $30 saving.

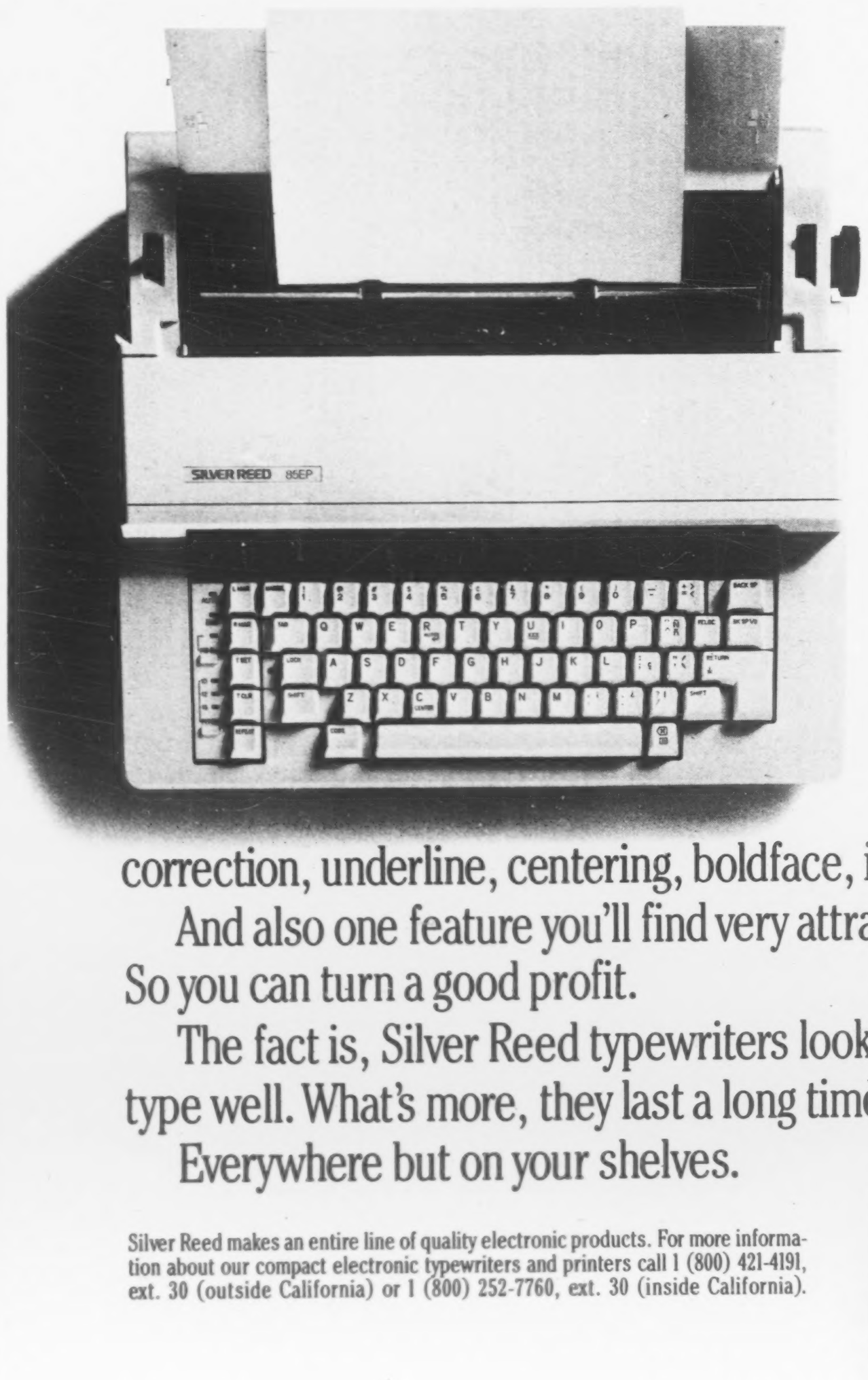
(Continued on page 88)

K mart's latest thinking in consumer electronics is evident in its prototype Southfield, Mich., store. Pre-recorded video gets approximately 28 running feet of space and a working display; televisions, including VCRs, get back of the department wall space, rather than the sound room set-up featured in other K mart units. (DSN photos)

Consumer Electronics $12.5 Billion	
Full Line Discounters	$6.3B
Catalogers	$0.9B
Specialty Discounters	$5.3B
Full Line Discount Store Productivity	
Sales	$6.3B
Sales per Store	$761,600
Dept. Size	2,300 Sq. Ft.
Sales/Sq. Ft.	$331.30
Turns	3.1
Initial Markup	31.0%
Gross Margin	18.9%

Source: DSN research

HOW TO KEEP FROM LOADING YOUR SHELVES WITH USELESS GADGETS.



At Silver Reed, type and typing are still more important than gimmicks.

So we don't load our machines with doodads that would make them more expensive and harder to use.

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Color TVs, VCRs, with Features to Drive 2nd Half CE Sales

Bradlees too recast its CE department this year in an upscale drive to take a more dominant position in a lifestyle category, including TV's, not fully explored in the past.

In its newest prototype, Target merged photo and CE, centered the area with a service boat and set it at the front left corner of the store between record and tapes and sporting goods. (DSN photos)

(Continued from page 87)

The chain focused its promotional resources on audio and video tapes, both blank and pre-recorded, compact discs and storage systems. Pre-recorded video tapes by Star Classics carried a price of $6.99, while $12.99 compact disc prices were cut by just $1.

In contrast, New York-based Crazy Eddie continued to promote color televisions and VCRs, offering limited amounts of a Protech brand CD player for $77, a 19-in. Dynatech color television for $111 and a Sharp VHS VCR with remote for $166.

Highland used a similar promotional strategy by emphasizing sale prices on color televisions and VCRs with features. A Zenith 25-in. color set that regularly sells for $439 was on sale for $387. A Mitsubishi 36-in. stereo rear projection color TV was offered at $1,999—a $296 saving.

Discount department store chains have been reminded how difficult it is to compete against a discounting CE specialty store. As a top executive of Audio/Video Affiliates observed when discussing competition from the most successful full line discounters, "We love Wal-Mart. We like to be next to them [because of the shopper traffic the discounter produces]. On those few sku's that both of us carry, we will undercut them in price and take a loss."

Specialty Discounters Gain

Specialty discounters, too, faced the same perils of reluctant consumer spending in the category, but have been able capitalize on can't-be-beat pricing strategies in video hardware products and have claimed a larger share of the smaller sales volume.

Results from the last quarter show specialists like northern California based-The Good Guys and New York based-Newmark & Lewis with earnings gains of 17% and 66%. In contrast were the disappointing results of discount department stores.

At one full-line chain—Caldor—the poor performance of consumer electronics was cited as one of the reasons for the chain's lackluster performance in the first quarter.

Full line discounters continue to search for a niche in those markets where they compete with discount specialists by offering the right combination of price and selection. Another choice is for the discount department stores to compete more directly with specialists by offering shoppers some of the advantages of specialty discounters. Bradlees has opted for the latter.

When the Braintree, Mass.-based chain rolled out its newest CE department prototype, it became apparent that the department was bigger, with a broader selection and improved presentation of televisions and VCRs. Bradlees has also added a highly visible, four-sided service counter where shoppers can get more assistance with their "service assisted" purchases.

Take A Page From Our Book!

Build big volume back-to-school sales with this Verbatim® ValuLife™ FREE offer.

Your customers will get a free Notebook Storage Page—up to a $2.50 retail value—when they purchase Verbatim ValuLife Minidisks. These heavy-duty plastic sheets hold four 5¼-inch minidisks and offer a practical convenient way to store disks for today's computer-using students.

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You get an eye-catching display that tells your customers the whole story!
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SLR Packages Continue to Boost Photo Department Margins

Nationwide DSN Report

Photography has long been a mature business, but it is one that produces very impressive numbers, especially for discounters.

Where once the simple, low-end snapshot camera overwhelmingly dominated photography sales in discount department stores, last year more than one out of five single lens reflex cameras purchased in the United States was bought from a discounter.

The attraction, of course, is the sharp prices in discount stores. Industry research disclosed that fully 50% of recent purchasers chose their camera because of price.

Lower prices, however, are a mixed blessing. Especially for discounters, margins on all types of cameras have become razor thin. However, with SLRs, accessories can help inflate the category's overall profit performance.

Lenses, filters, flash units and kit bags are often merchandised as part of a camera package and additional accessory sales often make an SLR purchaser a repeat customer for a discount store camera department. The margins on cameras alone frequently are below 20%, while accessories can carry gross margins of up to 50%.

The Brightest Spot

Autofocus 35mm cameras make up the brightest spot in the photography category.

The one truly new product in the last year was Minolta's Maxxum autofocus SLR. The original Maxxum 7000 proved so popular that Minolta quickly added two more models to the line in the early spring. The Maxxum 5000 filled out the bottom of the line while the Professional Maxxum 9000 became the top of the line.

Largely on the strength of the Maxxum line, Minolta narrowed the gap between itself and industry-leader Canon. However, Nikon has introduced its own autofocus SLR, the N2020, and Canon is expected to have its own entry in the near future.

The popularity of autofocus SLRs has come at the expense of earlier generation single lens reflex cameras rather than inducing more casual photographers to upgrade their purchases.

While for some, the lack of step-up purchases is a disappointment, the effect may ultimately prove to provide a greater degree of stability in the crowded and competitive market. If, as it appears to be doing, the autofocus SLR becomes the standard, some of the many minor SLR manufacturers may choose to abandon that business. Substantial development and marketing costs may be too high for some manufacturers to compete profitably. The big four—Minolta, Canon, Nikon and Pentax—are expected by some industry observers to increase their dominance while weaker competitors fall by the wayside.

(Continued on page 92)

The low margins that cameras bring has long been a problem for discount photography departments. Accessories, such as the kit bags in Howard Bros. Knoxville, Ky., store add profits. (DSN photo)

Photo/Camera $3.6 Billion	
Full Line Discounters	$3.3B
Catalogers	$0.3B
Specialty Discounters	NA
Full Line Discount Store Productivity	
Sales	$3.3B
Sales per Store	$398,900
Dept. Size	675 Sq. Ft.
Sales/Sq. Ft.	$591.11
Turns	3.1
Initial Markup	25.6%
Gross Margin	18.4%

Source: DSN research

One great pocket camera deserves another.

And another...
and another...and...

When Olympus introduced the **XA** camera in 1979, it revolutionized the art and science of the lens-shutter camera. The innovative Dust Barrier improved both form and function. Its lens was the first engineered to the exquisite precision of an SLR lens. And the sleek design set new standards for compactness and ease of operation.

Olympus didn't stop there! Examples: the **XA3** with its focus-free point-and-shoot system and programmed shutter with backlight control. And the **XA4 Macro**, the world's first wide-angle pocket camera with a 28mm lens and close-up focusing down to one foot!

Then the **Quick Shooter**, a motor-driven auto focus 35mm with auto everything. With its innovative lithium battery pack that recycles flash every 1.5 sec. For as much as 5 years under normal use! And the **Trip AF Motor**, another motor-driven auto focus 35mm packing loads of automatic features into its compact, pocket-size shape, at a great price.

AND NOW TWO MORE...

Olympus has just added two new exciting lens-shutter 35mm cameras. The breakthrough **INFINITY**, totally automatic and weatherproof, with features unprecedented in a pocket 35mm at *any* price. Such as ESP Quick Flash which automatically fires in low light *and* backlit situations all with 1 sec. recycling—light years ahead of all the rest. And the ability to withstand any weather situation including rain, snow, mist, smoke, seaspray...anything! And the **SUPERTRIP**, popularly-priced "point-and-shoot" 35mm with major manufacturer quality and performance.

A MODEL FOR EVERYONE...

Now there's a full range of Olympus lens-shutter cameras to appeal to every customer —novice to pro. The world's most sophisticated and automated cameras in their growing market segment, offering greater opportunities for greater profits! Backed up by powerful advertising support on network TV and in top circulation consumer magazines.

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SLR Packages Continue to Boost Photo Department Margins

Milolta's hot new Maxxum 7000 autofocus SLR, at a sharp $299.99 price point, was the featured item in a spring Gold Circle newspaper supplement (left). In May, hard goods discounter Lechmere distributed an eight-page photo circular with higher-margin name brand lenses on the two center pages.

(Continued from page 91)

The film business, long the private preserve of Kodak, is feeling the effects of increased competition by Japanese brands. While Kodak retains more than four-fifths of the American film market, bright green patches of Fuji film are increasing evident in the sea of familiar yellow Kodak boxes in many store displays.

From virtually nowhere a few years ago, Fuji now accounts for an estimated 10% of film sales in this country. Still, Fuji has not had a great deal of impact on Kodak's film sales. Rather, Fuji, generally priced one notch below comparable Kodak sku's, has had the greatest effect on private-label film.

Because of the high inventory cost of film, few retailers are eager to carry three lines unless they can expect to significantly increase unit sales. The great majority of discounters are more than content with Kodak as their lead brand and a second, "budget" line of film to meet the demand of price-conscious photographers.

Besides Fuji, a second Japanese film manufacturer is hoping to gain a larger portion of the budget niche. Konica, a major brand in Japan and elsewhere overseas, has begun a marketing push to establish itself as a name here. Previously, Konica's major presence in the American market was as a manufacturer of private-label film.

35mm Dominates

Increasingly, the 35mm format is dominating the photography market, both for the more knowledgable hobbyist and the casual snapshot-oriented amateur. Point-and-shoot 35mm autofocus rangefinders are growing in appeal while the popularity of disc cameras is waning.

Compact 35mm cameras are available at a wide variety of price points, competitive even with bottom-line disc offerings. Picture quality is lower with the disc format, but it also suffers, according to industry research, from a stodgy image.

Disc cameras simply don't appeal to Yuppies or would-be Yuppies. Only 10% of disc purchasers are under 30 years old, while 35% of camera buyers overall are in that age group. In addition, 24% of the people who buy cameras are college graduates, but for the disc format, only 8% of purchasers graduated from college.

Instant cameras also suffer from a poor demographic image. However, Polaroid, freed from competition by Kodak, which some observers believed forced the instant market to focus primarily on low-end promotional models, has a new top-end entry.

The Polaroid Spectra System produces instant pictures of quality comparable to 35mm photographs processed by increasingly-popular one-hour labs. Polaroid backed its spring introduction with strong industry and consumer promotions.

Kodak
Colorwatch™
System
TRAFFIC INSURANCE.
Millions of consumers have seen this seal in Kodak's biggest TV and print advertising campaign ever for photofinishing, and they're looking for retail outlets that display it.
To them, the Kodak Colorwatch system is memory insurance—the assurance that their film is developed on Kodak paper, with Kodak chemicals, and that Kodak's Technet™ center is used for computerized quality control.
To you, it's traffic insurance.
And the opportunity for impulse purchases. Satisfied customers. And repeat business.
To find out all the benefits of choosing a finisher on the Kodak Colorwatch system, call:
1 800 445-6325, Ext 180.
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Discounters Refine Hardware Mix to Better Serve Women

Nationwide DSN Report

Discount department store merchants are retooling their hardware assortments to better serve women shoppers.

The new emphasis calls for discounters to offer simpler do-it-yourself or fashion-oriented merchandise that relies on improved how-to information and four-color packaging to help make the sale.

For full-liners, sales were relatively flat for the latest completed year, projected to total $5.0 billion by the end of this year. Sales per sq. ft. will total $186.42.

Overall, discounters are just about holding the line on floor space devoted to the various hardware classifications.

The latest average figure for discount department store hardware departments was 3,240 sq. ft., up slightly from last year's 3,210 sq. ft.

Admittedly, this courting of the female shopper is, in part, a response to the full line discounters' loss of their DIY business to home centers.

Today, few full line discount chains besides K mart and S. E. Nichols are in the home improvement business. Although, Nichol's has increased its assortment and selling space to 20,000 sq. ft., up by 3,000 sq. ft.

Merchandise Strategies

Thus, for most discounters selling hardware items, the merchandise strategies reflect chains' recognizing that in plumbing, for example, women will buy a toilet-repair kit but will not attempt repairs "below the waterline."

Thus carded programs, with easy to understand instructions have replaced bins of contractor-oriented plumbing parts.

Discounters are focusing on impulse-oriented items like batteries, bulbs, small hand tools and fuses. And, they're using displays designed by vendors to catch the customers' attention.

Where they had shunned them before—preferring to standardize assortments with chainwide planograms—chains like K mart, Caldor and S. E. Nichols have fitted vendor displays onto the shelves to help tell a product story.

Discounters are also looking for vendors to help execute the sell-through with packaging that is both eye catching and educational, adequately explaining product usage to an inexperienced do-it-yourselfer. With the spotlight on packaging, discounters have signalled to shoppers, and vendors, they are in business to deliver more than price.

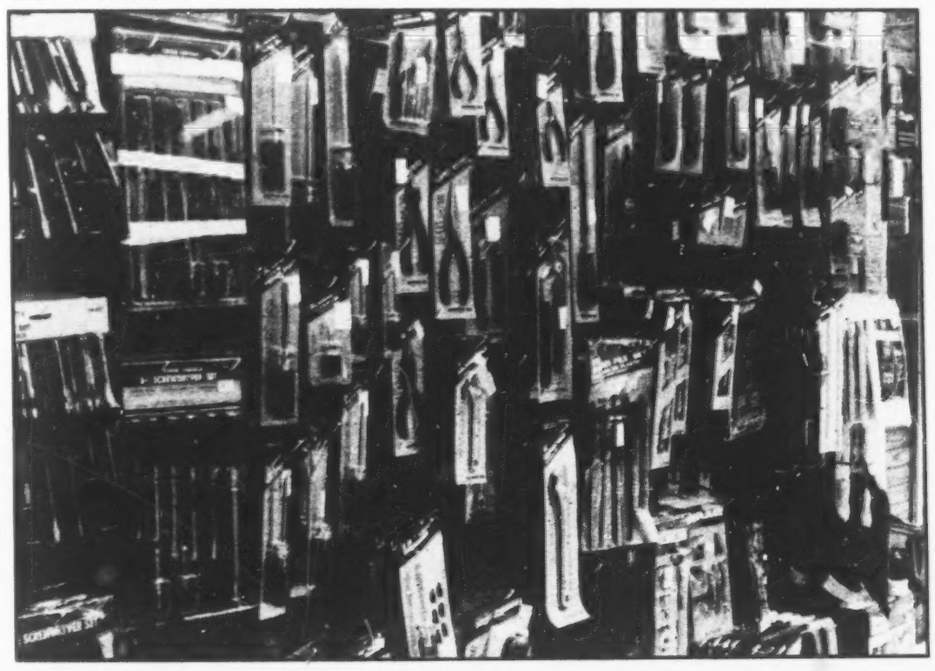
Better packaging has proven to have another benefit for discounters. By the beginning of this year, many of the largest vendors were printing bar codes on labels, enabling retailers to manage stock with scanning.

One area where packaging changes have made a difference in discounter hardware presentations is in fasteners, a long standing department basic. (K mart has devoted up to 7% of the space in its hardware departments to this category.)

Among the other basic hardware categories pitched at women shoppers is home security products. To help sell the category—formerly scattered throughout the store—related items are now merchandised in a home security section.

Jamesway, for example, devoted 16 ft. to the category focusing in on night lights, fire extinguishers, smoke detectors, rechargeable lanterns, flashlights, timer lights and door and window locks.

Ames allotted 12 ft. and concentrated on smoke detectors, fire extinguishers, security chests and safes.



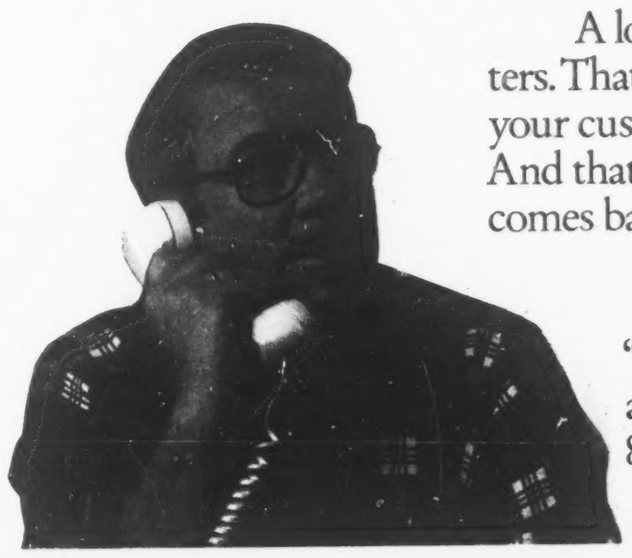
Imported hand tools are dominating many discounters' mixes. The tool wall at an Atlanta Richway store is typical, with a broad mix of carded merchandise from import distributors. (DSN photo)

Hardware $5.1 Billion	
Full Line Discounters	$5.0B
Catalogers	$0.2B
Specialty Discounters	NA
Full Line Discount Store Productivity	
Sales	$5.0B
Sales per Store	$604,400
Dept. Size	3,240 Sq. Ft.
Sales/Sq. Ft.	$186.42
Turns	2.3
Initial Markup	39.8%
Gross Margin	29.1%

Source: DSN research

"WHEN IT COMES TO SELLING FORMBY'S, YOU HAVE MY COMPLETE SUPPORT."

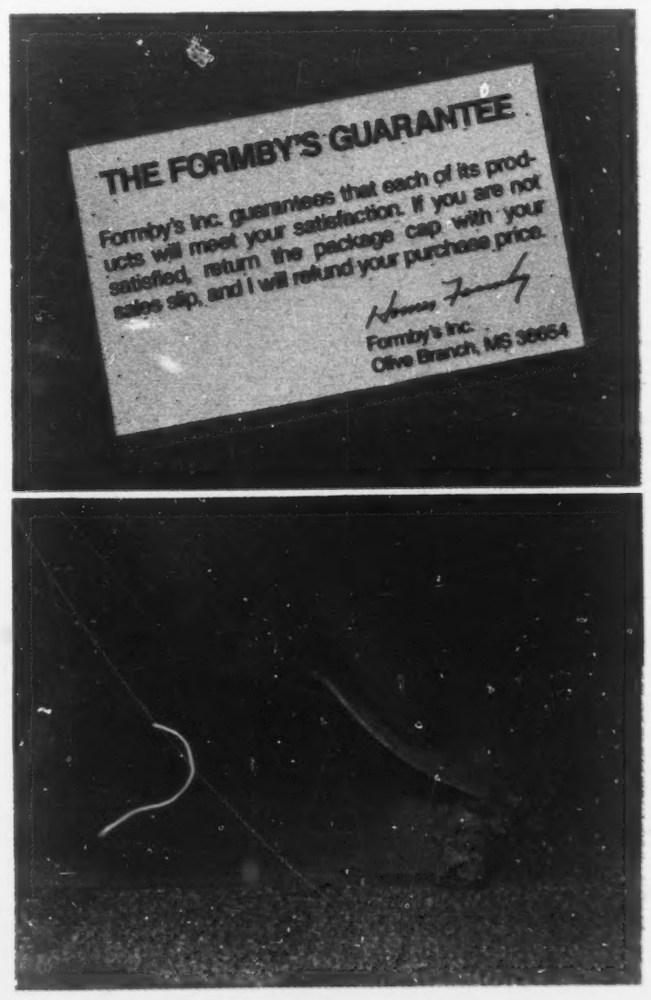
Homer Formby



A lot of do-it-yourself projects wind up being did-it-yourself disasters. That's why I developed the Formby's Support System. It guarantees your customers will get great results when they use Formby's products. And that's good for you, too. Because a satisfied customer is one who comes back for more.

Help is only a phone call away.

Here's how the System works: First, I'm introducing the "Homer Help Line"—a toll-free, nationwide 800 number. When your customers have a question about one of my products, they can call 1-800-F-O-R-M-B-Y-S seven days a week, and speak with a professional who will talk them through to beautiful results. So when you sell Formby's, you're selling customer service, too.


THE FORMBY'S GUARANTEE
Formby's Inc. guarantees that each of its products will meet your satisfaction. If you are not satisfied, return the package cap with your sales slip, and I will refund your purchase price.
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With Formby's, there's always a happy ending.

Second, every can of Formby's Paint Remover and Furniture Refinisher now comes with a full money-back guarantee. Which means you can recommend my products with complete confidence, knowing your customers will get great results. I guarantee it.

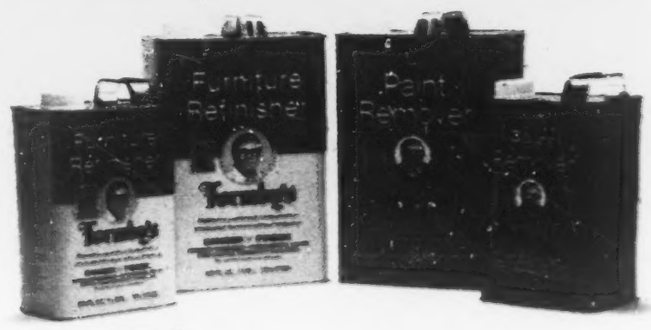
Earn a degree in refinishing.

Third, I'm offering The Formby's University Training Program. Your employees are invited to attend and learn all about Formby's products, and how to give in-store demonstrations—a terrific way to show and sell.

Why am I doing all this? Because no one cares more about his customers or his dealers than I do. That's why I'm expanding my industry-leading support program of network television, exciting consumer promotions, and strong trade incentives. No one does more to sell products through to consumers than Formby's.

The system works in your favor.

Remember. When you recommend Formby's products, you're sure never to have a dissatisfied customer. Because Formby's products are the only ones backed by the new Formby's Support System. And you know what they say. You can't beat the system.



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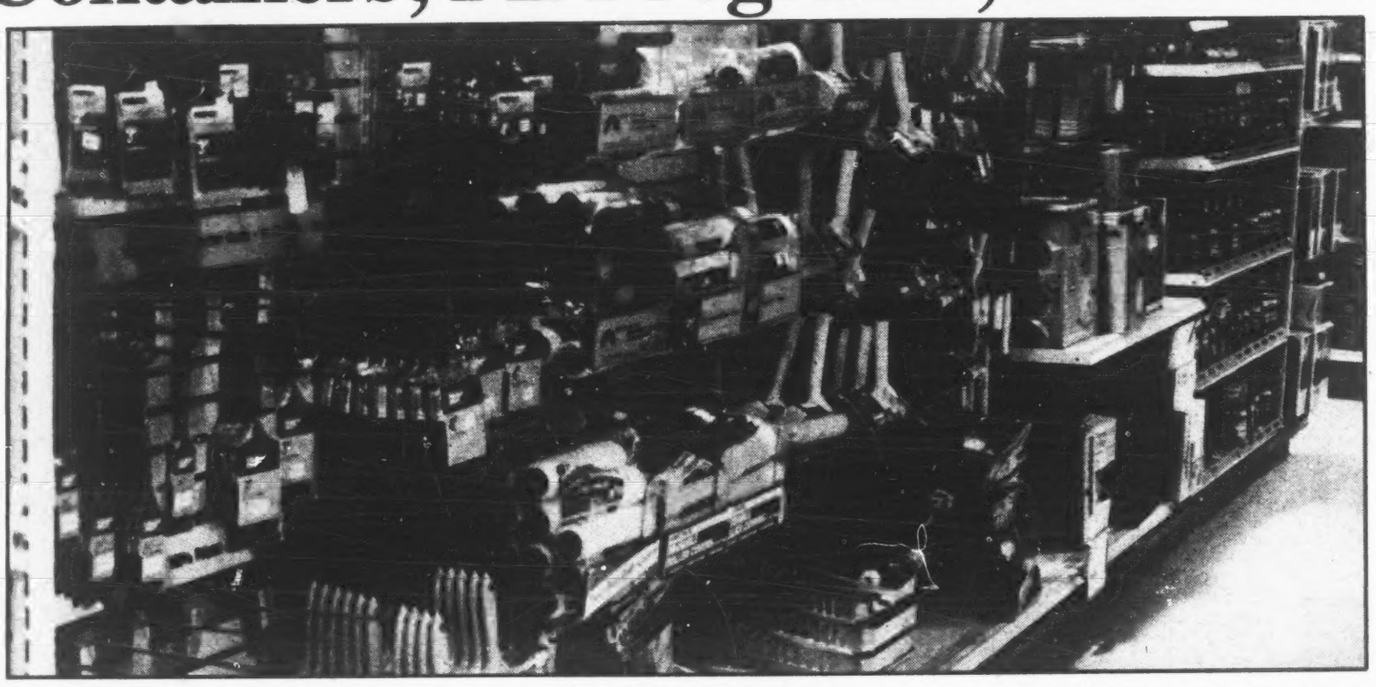
Large-Size Containers, PL Programs, Still Drive Paint Sales

Nationwide DSN Report

Full-line discounters continue to search for new avenues to paint department profits using the hardware department category as a wedge into the fashion side of home improvements.

While some discount chains such as Wal-Mart have recently experimented with custom color mixing—an expensive, labor-intensive decision; other full liners, such as K mart, have been investigating large size containers—two- and five-gallon cans—as a way of carving out a distinctive, and less competitive, niche in the market.

Overall, paint departments are expected to generate about $1.6 billion through the end of this year; this amounts to about $200,000 for each full-line discount department store.



In paint sundries, better packaging and coordinated displays are helping discounters convince customers of quality. An Atlanta Richway store presents a broad assortment of brushes and rollers.

Paint $1.6 Billion	
Full Line Discounters	$1.6B
Catalogers	NA
Specialty Discounters	NA
Full Line Discount Store Productivity	
Sales	$1.6B
Sales per Store	$193,400
Dept. Size	1,200 Sq. Ft.
Sales/Sq. Ft.	$160.83
Turns	2.5
Initial Markup	43.8%
Gross Margin	36.3%

Source: DSN research

The Goal

The goal with large-size containers, as with private label programs, is to offer sharp, commodity pricing while reducing the ability of shoppers to make price/item comparisons at the competition.

Although, discounters admit that the down side of this strategy is the sheer weight of the cans, which can imperil gondola shelves, and which can daunt women shoppers.

Still, the department's reigning margin strategy—to agressively promote paint while holding the margin line on accessories—remains relatively unchanged.

Initial markups for the area are expected to hover around the 44% mark this year, while gross margins will clock in at about 36%. The relative health of this category comes from brisk sales in accessories. On the paint itself, however, buyers noted that profits can often disappear into the netherworld of the single digit.

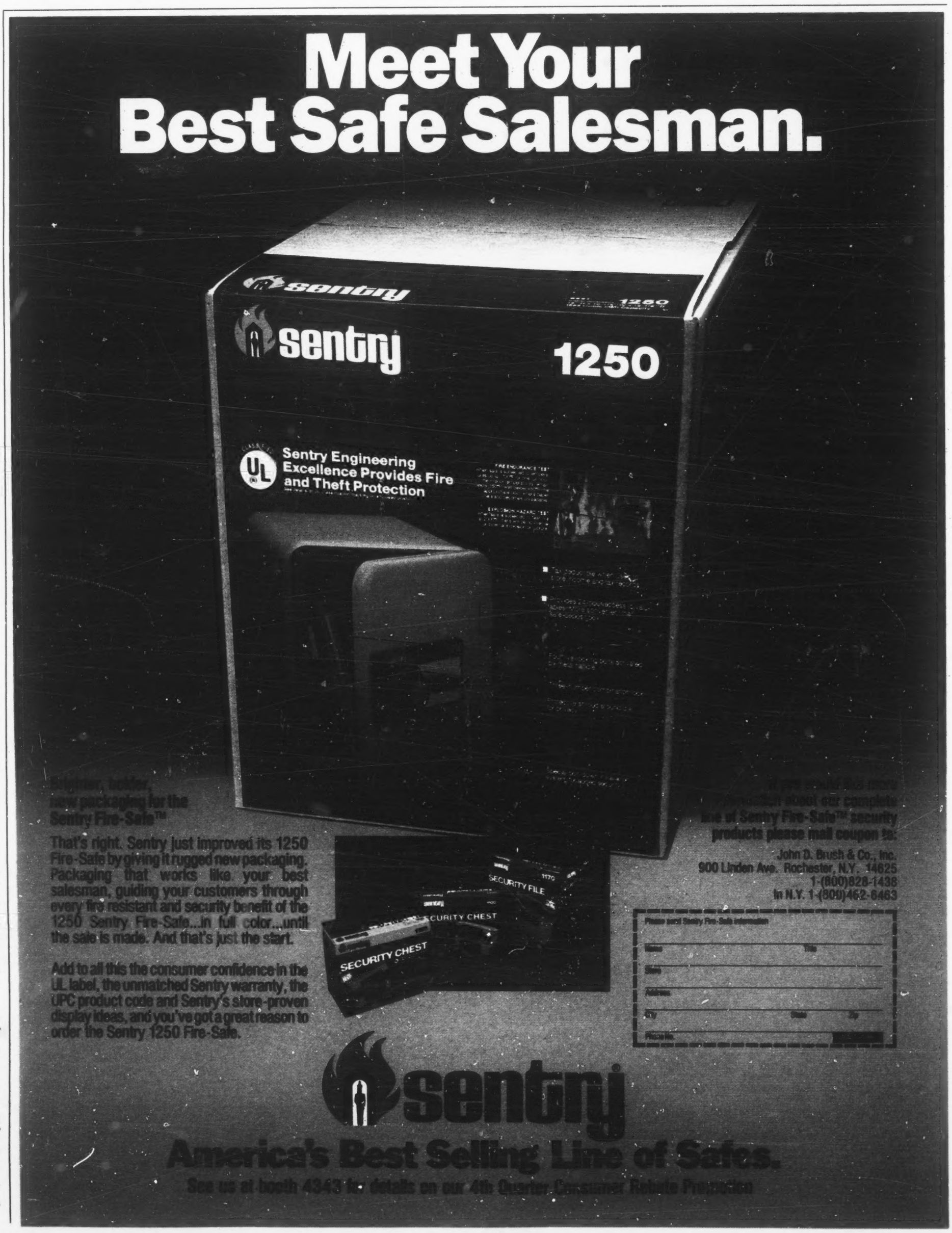
Competitive Pressures

Even private label programs, while affording some margin relief, have not been immune from competitive pressures. Chains which use the house brand as an opening price point in a good, better, best trade-up assortment often squash private label everyday prices, along with the national brand, to generate traffic.

In a recent ad, Columbus Ohio-based Harts marked its private label paint down to $5.99 a gallon, from an everyday price of $8.49. In the same circular, Harts also promoted Lucite brand paint at $7.99 a gallon, down from $9.99 everyday.

Additionally, discounters have had to battle a wave of coupon/rebate mania to make money in this area.

Gold Circle, for example, was among the chains who recently touted national brand paint at nearly one-third off with a rebate offer on Lucite white latex paint. The manufacturer's rebate dropped the retail from $8.99 to $5.99 on a one-gallon can.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Brighter, bolder, new packaging for the Sentry Fire-Safe™
That's right. Sentry just improved its 1250 Fire-Safe by giving it rugged new packaging. Packaging that works like your best salesman, guiding your customers through every fire resistant and security benefit of the 1250 Sentry Fire-Safe...in full color...until the sale is made. And that's just the start.
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Patio Furniture, Gas Grills Lead Lawn and Garden Sales

Nationwide DSN Report

The seeds of fashion and luxury have sprouted in lawn and garden departments, as discount department store merchants continue to concentrate on high-ticket patio furniture and full-feature gas grills.

At many chains, the move toward lifestyle merchandise and presentations is at the expense of gardening.

But the payoff is clear: Some chains are successfully moving up in price points and have yet to find the ceiling for a few categories.

Paced by grills and outdoor furniture, lawn and garden department sales are continuing to grow for discount department stores.

While still experimenting with higher price points in the luxury categories, low prices sometimes remain the key to sales for some goods.

Stick goods such as hoes and shovels, for example, are price-driven. Especially as new home owners buy a number of tools at once. Therefore, low-priced imports make up about 10% of the assortment.

Discount department stores are clinging to an estimated 43% market share of the lawn and garden business. The segment is currently losing market share as other retailers make larger sales gains.

Sales Rise

For example, chain stores and mass merchandisers' sales of lawn and garden equipment rose 123.7% from 1979 to 1986, according to Greenridge & Associates, a market research firm in Evergreen, Colo. However, the home center, hardware store and lumber yard segment posted sales gains of 138.5% during this period.

Virtually all retailing segments have enjoyed success with grills, and these sales are expected to remain hot.

Gas grills are the big sellers, but are not always the only star of the category.

Covered charcoal grills have made an unexpected comeback in scattered markets. Some buyers attribute the resurgence of interest in charcoal grills to prices that are much lower than the tickets for gas models.

A survey of recent circulars revealed that discounters are offering grills priced at close to $200, although they featured models at under $100.

Target offered an Arklamatic dual burner gas grill with automatic ignitor for $89.99, down from a regular price of $119.99. A more fully featured Arklamatic grill was marked down from $179.99 to $134.99.

Zayre advertised a Sunbeam post grill for $116, marked down from $149.99, and a Structo deluxe grill for $197. The discounter hits a low price point with a Sunbeam post gas grill for $79.84.

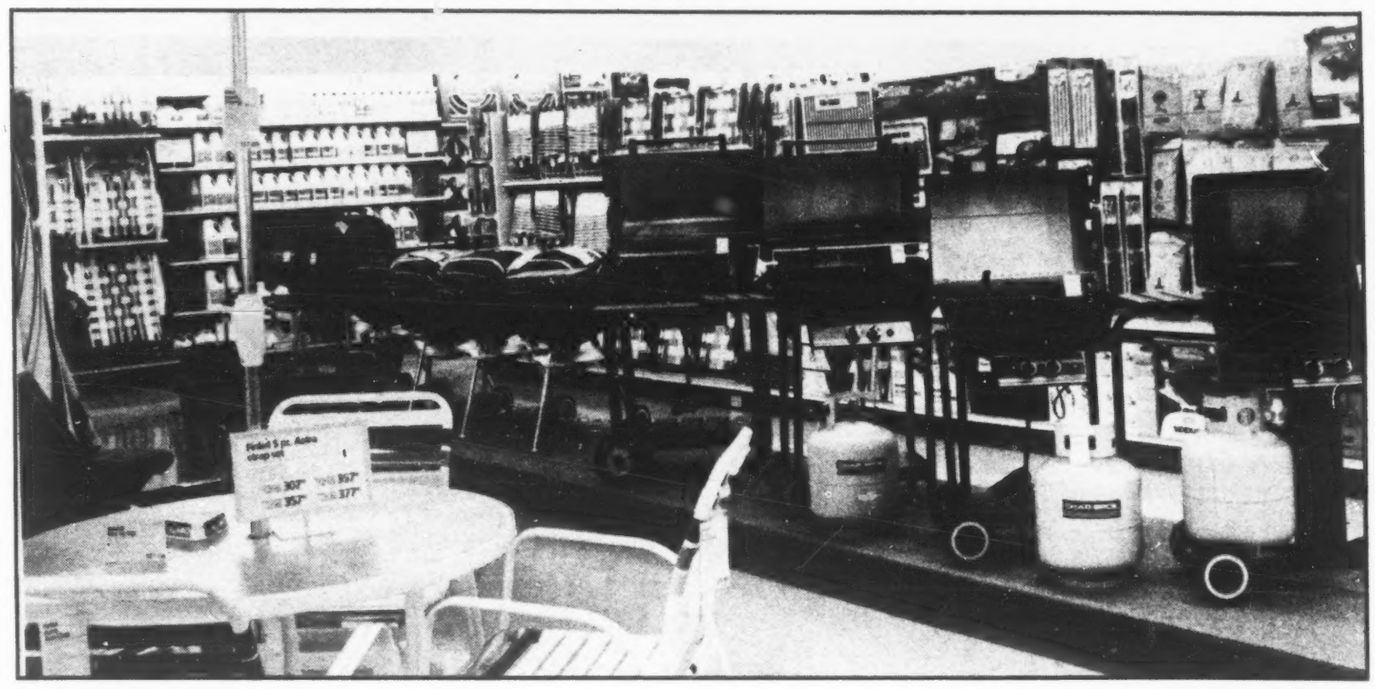
Gold Circle recently advertised The Turco Futura Magnum gas grill at $199.88.

In lawn furniture, PVC-coated metal furniture is still popular, and, the demand for redwood is declining. Many chains are continuing to add lines, often choosing to stock more high-end merchandise.

Target advertised the Sun Terrace patio table and four chairs, with aluminum frames and vinyl strapping, for $119.95, down from a regular price of $159.95. A wrought-iron mesh set with table and four chairs was marked down from $199.95 to $149.95.

Venture offered a five-piece set with glass topped table and aluminum chairs with cushions for $229.99 on ad. An umbrella is optional for $89.99.

At Gold Circle, recent ads offered a Baypoint patio set with table, four cushioned chairs and umbrella for $399.88, about $200 below suggested retail.

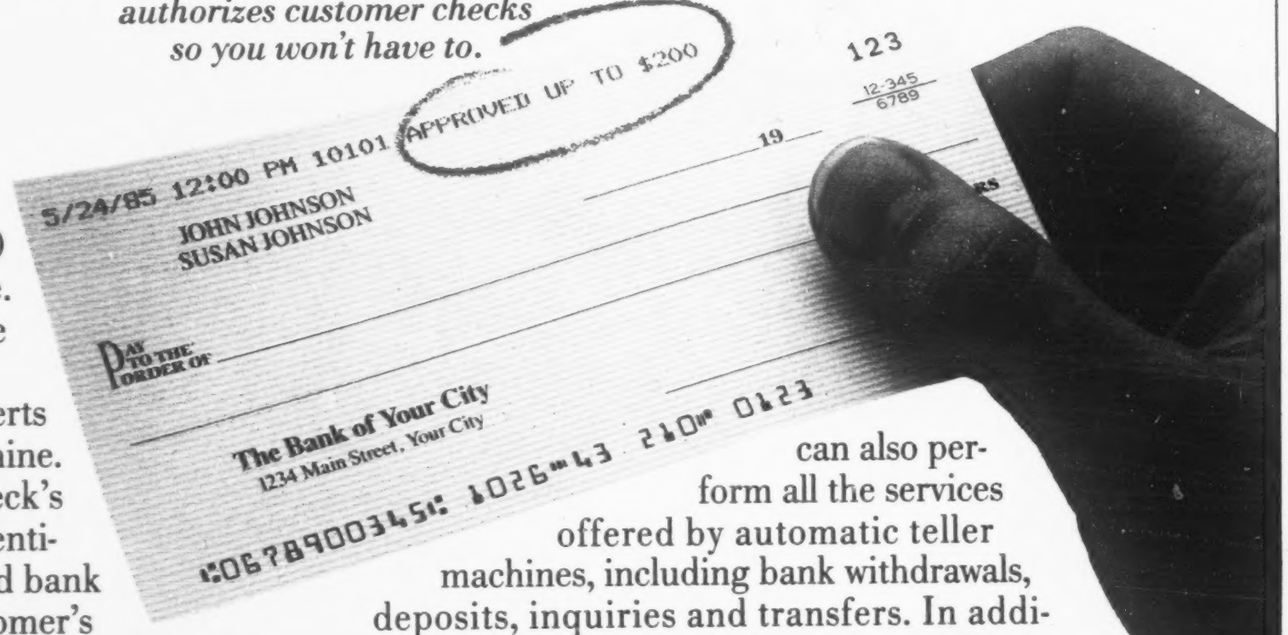


Big ticket, fully featured gas grills are hot sellers and charcoal grills have bounced back in some markets. Gemco, Rowland Heights, Calif., carries full lines of both types of grills. (DSN photo)

For store management:

IBM offers check approval you'll approve of.

The IBM 4730 Personal Banking Machine authorizes customer checks so you won't have to.



Presenting the IBM 4730 Personal Banking Machine. It can help stores authorize customer checks.

The customer simply inserts a blank check into the machine. The IBM 4730 reads the check's MICR line—the line that identifies the account number and bank—and verifies that the customer's account balance is sufficient to cover your store's check-cashing limit. Then the machine prints an authorization message on the face of the check and returns it to the customer.

HASSLE-FREE CHECK CASHING

This direct link to your customers' banks can help reduce your risk of bad checks.

What's more, by taking check authorization out of your checkout lines, the IBM 4730 increases cashier productivity, reduces customer waiting time and frees up the store manager.

MORE SERVICES TO CHECK OUT

The IBM 4730 Personal Banking Machine can also perform all the services offered by automatic teller machines, including bank withdrawals, deposits, inquiries and transfers. In addition, the IBM 4730 can dispense up to five currency and four coin denominations. So customers can cash payroll or government checks in exact amounts. And your store can cash in on more traffic.

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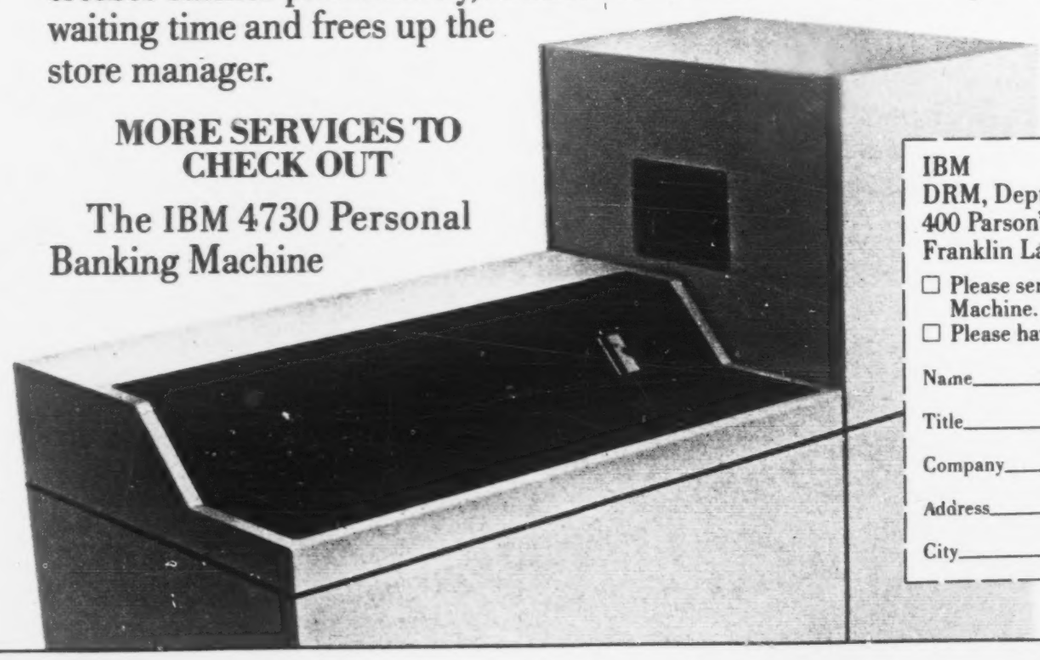

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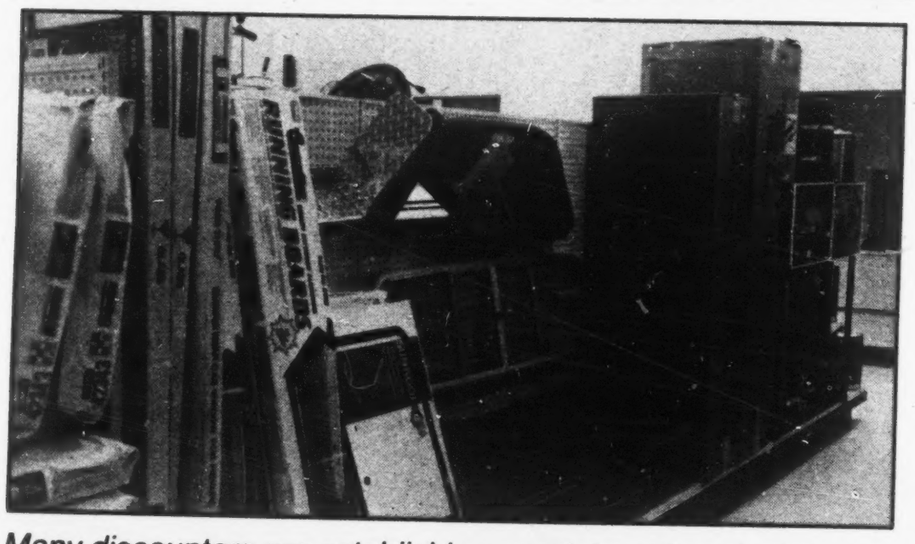


Many discounters are establishing special sections for hot-selling truck accessories. Venture, Bridgeton, Mo., features running boards, sliding rear windows and cross bed tool boxes. (DSN photo)

Lower Gas Prices and Terrorism To Fuel Car-Care Product Sales

Nationwide DSN Report

This summer's projected increase in domestic travel should boost sales of car-care products.

Americans are expected to log more miles than usual in the family car this year for two reasons: Cheaper gasoline and an unwillingness to chance trouble with terrorists abroad.

Amoco Motorist Club has reported an upswing of more than 17% in trip routing requests, one indication that business could improve in automotives. And, sales of some automotives products could rise in rough proportion to the increase in motor trips.

To meet stiffer competition from auto aftermarket discounters, full-line discounters are cutting automotives prices, trimming assortments and boosting imports. Often, full liners are simply weeding out higher-priced goods, especially in waxes and polishes.

The slimmed-down result is part of a back-to-basics movement that makes the auto department in a discount department store easier to shop.

Glosser Brothers, for example, has already trimmed its wax assortment and plans further reductions. The reasoning here as at other chains is to free up inventory dollars and shelf space—and make product selection easier, especially for the novice customer.

Among the categories full line and specialty discounters have mined are pickup truck and four-wheel drive vehicle accessories.

White-collar buyers have joined the traditional blue-collar market for pickups—pushing light truck sales to 20% of the total for all new vehicles.

Thus, Zayre, for example, which typically picks its spots in auto and hardware rather than taking out all the stops in the department, has been selling a pickup truck tool box for $76.66 on ad.

Considerable Reduction

Discounters can beat new car dealer's prices by as much as 50% or more on the accessories that both sell. One chain executive pointed to a pass-through rear truck window as an example.

G. I. Joe, based in Wilsonville, Ore., has tinkered with a new layout for truck accessories. In the company's Tualatin Ore., store, G. I. Joe has moved truck accessories from gondolas to wall displays.

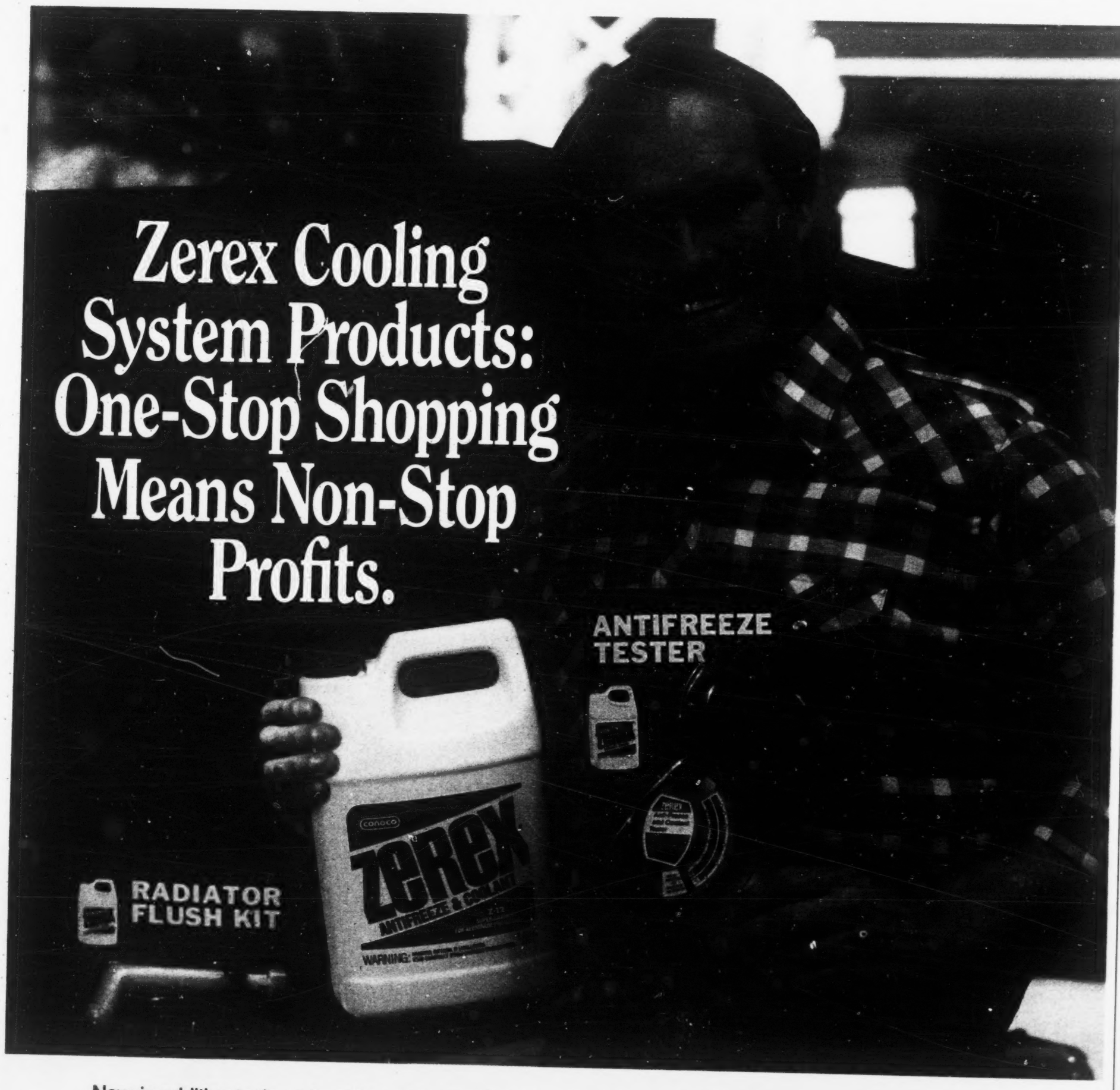
Gold Circle responded to the interest in truck accessories by increasing the store truck areas from 16 ft. to 20 ft., and offering tool boxes, floor mats and running boards.

Target devoted most of a circular page to light truck accessories, including mini and full running boards for $39.99, side rails for $39.99, pass-through rear window for $34.99, tool box for $69.99 and "tuff" chest for $39.99.

However, such heated up competition in truck accessories is expected to drive down margins in the future.

Automotives $9.6 Billion	
Full Line Discounters	$5.4B
Catalogers	$0.1B
Specialty Discounters	$3.9B
Full Line Discount Store Productivity	
Sales	$5.4B
Sales per Store	$689,000
Dept. Size	2,320 Sq. Ft.
Sales/Sq. Ft.	$296.98
Turns	2.6
Initial Markup	34.1%
Gross Margin	25.7%

Source: DSN research



Now, in addition to the extra value and protection in Zerex with Z-12 silicates, Conoco has introduced an expanded line of cooling system care products.

Easy care for easy sales.

Zerex Radiator Flush Kits and Zerex Antifreeze Testers are as easy to sell as they are to use. Complete with "how to" information, your customers will appreciate the convenience, as well as the quality, of the full line of Zerex cooling system products.

Conoco rebates for added value.

Here's a rebate offer that's sure to appeal to your cost-conscious customers. Conoco is offering a choice of $12 off on a black racing jacket, or $6 off on an expandable sports tote bag. Your customers also can choose a cash rebate on a one or two gallon purchase of Zerex.

Guaranteed protection. Guaranteed support.

Your customers can count on Zerex Antifreeze for protection against winter freeze-ups and summer boilovers. And thanks to Z-12 Super Silicates, they get added protection against rust and corrosion. It's guaranteed on every gallon of Zerex when used as directed.

You can count on the support you'll get from Conoco. Top-of-mind TV, in-store displays, rebates and premium offers, and a multi-media co-op program make selling the #2 premium Zerex Antifreeze easier. And with the added line of cooling system products, making higher profits is easier, too.

conoco®

Dinnerware, Microwave Cookware Fuel Housewares Sales

Nationwide DSN Report

Discounters are trying to squeeze more from their already high-achieving housewares classifications as competition gets tougher in this mature industry.

Giving discounters a head start, housewares manufacturers held prices this year.

Microwave cookware, one of the hottest growth categories in housewares, is winning more and more space on discounters' shelves. Pictured here is Clover, Lancaster, Pa. (DSN photo)

As a result, the trade up in dinnerware, and the expansion of storage, microwave cookware and ready-to-assemble furniture should fuel retail sales and gross margins. All three of these classifications continue last year's back-to-basics approach.

One of the most promising categories for '86 is storage. Mass merchants have long overlooked this lucrative category, leaving the business to the more aggressive specialty shops and home centers. But, as new homes and apartments continue to be downsized and housewares volumes are pressed for growth, the discounters can no longer afford to ignore this category.

Across the country, closet and storage shops have sprung up in housewares, linking together products previously merchandised throughout the store such as shoe racks in hardware and bath caddies in domestics. These new shops often act as attention-getters with their up-to-date fashion presentations. High-tech and color statements breathe new life into dull pegboard displays of hangers and wire goods.

But more importantly, these fashionable new shops are quite profitable. They feature items with higher-than-average housewares margins, despite their usually low price tags. Moreover, the customers find it hard to compare prices because this merchandise is generally "blind."

Buyers said dinnerware, too, can be a profitable category because it is "blind." However sales have been sluggish over the past few years.

One explanation for the downtrend was that consumers were buying identifiable patterns and keeping their sets longer. This resulted in a demand for recognizable patterns and tough price competition that hurt retail margins.

To combat the soft sales, vendors like Pfaltzgraff, Newcor and Anchor Hocking have introduced higher priced stoneware sets for discount customers. These new patterns reflect the graceful florals and fashionable pastels of the more expensive dinnerware lines but carry a lower price ticket.

One Midwestern discount chain has found a winner with a 20-piece set from Newcor—retailing for $34.99. Although it was the most expensive set this store carries, it was a bestseller shortly after it hit the shelves.

Microware Heats Up

Another classification heating up is microwave cookware. Consumers have expanded the use of their microwaves from just defrosting to a full range of cooking. Additionally, the increased volume of small microwave ovens has aided sales of the cookware.

Retailers have established good, better, best programs working with fewer vendors than they previously did. Unusual items are skillfully cherrypicked from the infinite number of manufacturer lines shown today. Disciplined buying is the key, noted the merchandisers.

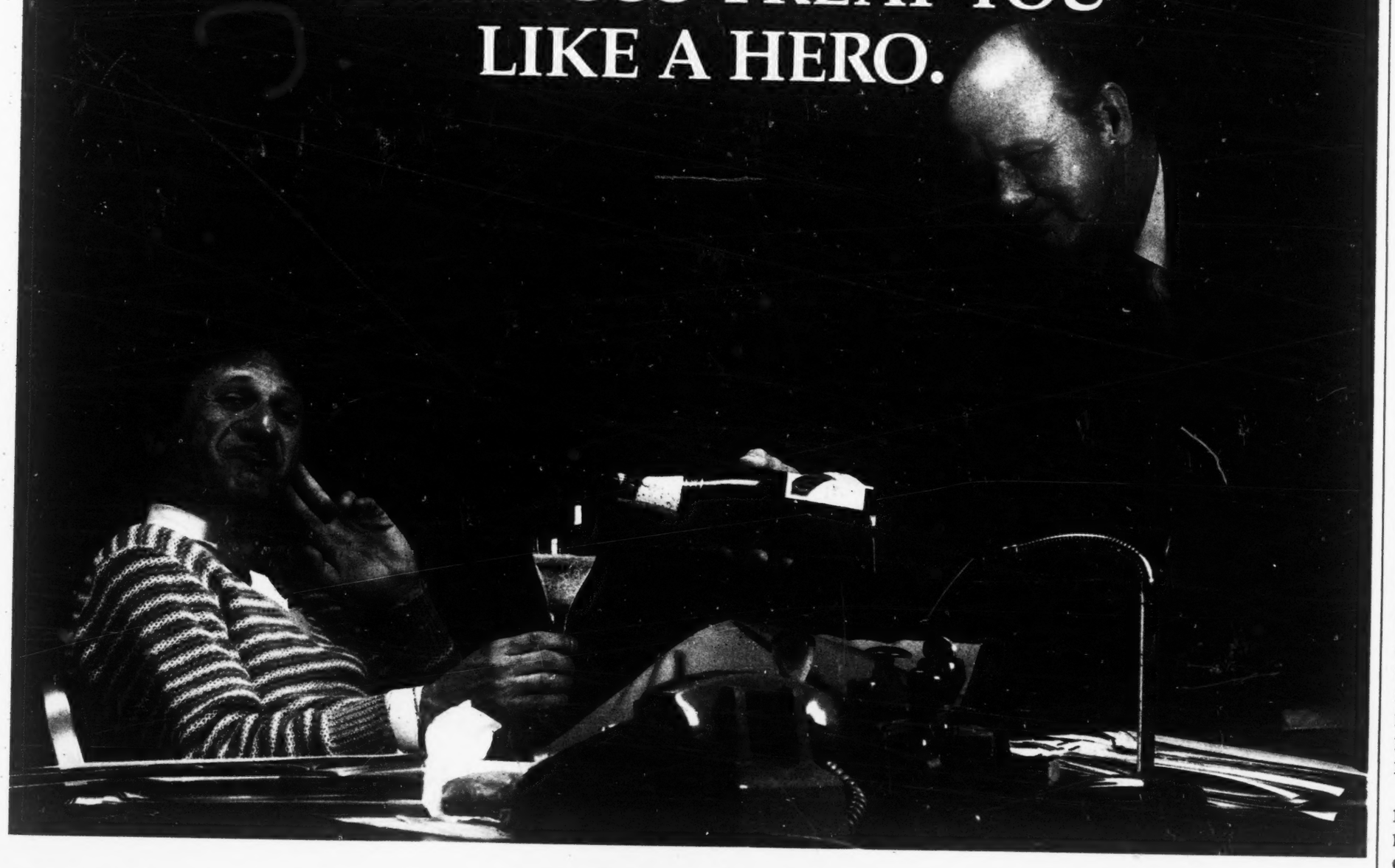
Specialty cookware, such as bacon racks and meat searers, have the best growth potential. Multi-purpose cookware also has a niche. Aimed at consumers with limited kitchen space, these products function in both the conventional and microwave ovens as well as freezers.

Lastly, ready-to-assemble furniture is another attractive market that discounters have entered. Buyers said sales should grow by 25% this year over last. The most successful retailers have been displaying the furniture in room settings.

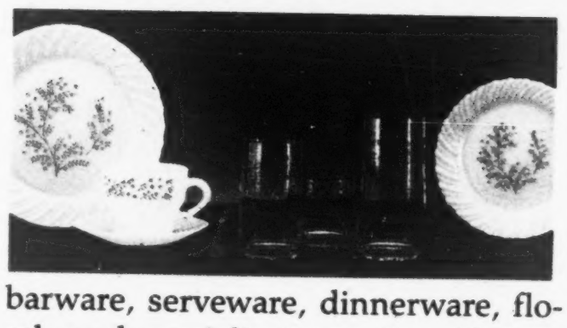
Housewares $7.4 Billion	
Full Line Discounters	$6.8B
Catalogers	$0.6B
Specialty Discounters	NA
Full Line Discount Store Productivity	
Sales	$6.8B
Sales per Store	$822,000
Dept. Size	5,760 Sq. Ft.
Sales/Sq. Ft.	$142.70
Turns	3.3
Initial Markup	42.2%
Gross Margin	32.3%

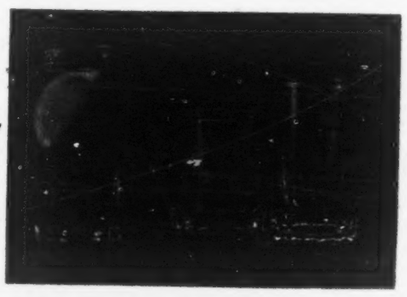
Source: DSN research

WHY OUR MASS MERCHANDISE GLASSWARE PROGRAM WILL MAKE YOUR BOSS TREAT YOU LIKE A HERO.

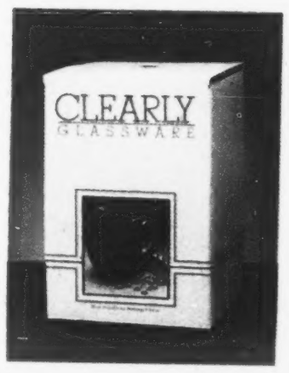


As the glassware market continues to evolve and become more competitive, mass merchandiser top management is looking to their buyers to identify and consolidate into their programs glassware resources that can serve the specific needs of mass marketers, all of whom have one thing in common—a strong competitive need for the most marketable, profitable products they can find. *"Clearly" from Crisa was created just for you.* "Clearly," a comprehensive glassware line of nearly 100 SKU's, covers every key glassware category including





barware, serveware, dinnerware, florals and specialty items. In addition, we offer a full line of opal borosilicate mugs and bowls. *"Clearly" is more than just products.* Because we know that your boss is looking for increased volume and profits in glassware, our "Clearly" line is backed up with solid sales support including strong consolidated packaging, an equitable discount structure and strong promotional pricing. And our entire program is supported by the capabilities of Crisa, one of the world's glassware giants. *Find out for yourself.* Put us to the test and discover why Crisa should be your #1 glassware resource. Then make sure the boss has plenty of champagne on ice. *Ask your Crisa rep about our promotional items & pricing!*



CRISA CLEARLY GLASSWARE

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Profitable ideas in glassware
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Fashion Colors, Cordless Units to Drive Personal Care Biz

Personal Care Appliances $3.0 Billion	
Full Line Discounters	$2.8B
Catalogers	$0.2B
Specialty Discounters	NA
Full Line Discount Store Productivity	
Sales	$2.8B
Sales per Store	$338,400
Dept. Size	800 Sq. Ft.
Sales/Sq. Ft.	$422.50
Turns	3.5
Initial Markup	30.6%
Gross Margin	21.4%

Source: DSN research

Venture, Bridgeton, Mo., displays replacement items like electric toothbrush heads and air cleaner filters adjacent to personal care appliances for tie-in sales. (DSN photo)

Nationwide DSN Report

Personal care sales volume fell slightly behind last year's total despite good gains in home health care products. The promotional activity in basics personal care ate at the overall volume while boosting the turns somewhat.

Retailers were hopeful that 1986 will end as a more profitable year. They looked to continued movement of colored basics and home health care items to balance out the highly promotional basics.

In particular, retailers anticipated sales of home health care products to grow by 20%. Lower prices and easier-to-use merchandise should drive the category this year. Additionally, changes in Medicare policies (that now require equipment under $100 to be bought instead of rented) will play a major role too.

Retailers are reacting by expanding their assortments and increasing promotions. Lechmere, for example, recently promoted two items in a flyer. The Sharp blood pressure kit was marked down to $59.88 from $74.99 and the Sharp digital thermometer retailed for $7.88, from $9.99.

Not surprisingly, some merchants have already seen results. A few retailers said lower-ticket blood pressure machines have picked up dramatically, suggesting first-time purchases. At L. Luria & Son, a $9.99 monitor has moved more than the rest.

Niche-marketing in basics, such as targeting the men's market with sleekly-styled hairdryers and the young women's market with hot new colors, will continue to pump up unit volumes in basics. Pastels are expected to be the next big draw for the fall.

One East Coast discounter explained that these products help increase the market share since individuals are buying these items for themselves. Specifically, retailers have found that the bright colored hairdryers appeal to the teenage girl market.

Last year, men's lines did well. Black & Decker offered its Black Tie line while Norelco presented Man Care Collection and Windmere featured Brut for this audience.

Overstocking Possible

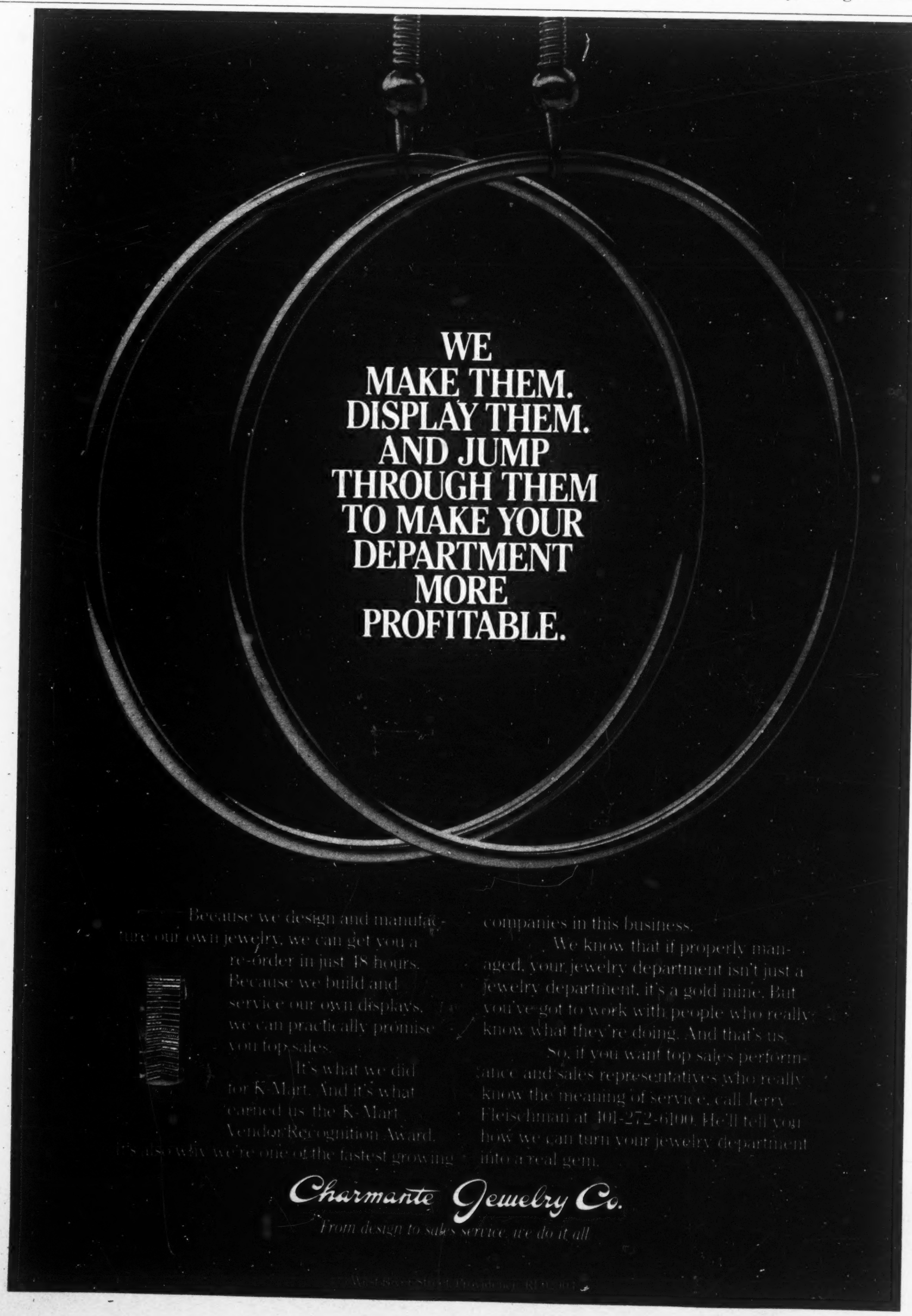
But despite the attraction of these items, a K mart buyer cautioned that retailers can carry too many colored products and might get stuck in an overstock position. Moreover, other retailers noted that the business gained from colored products is being traded off in basics. Similar to last year, buyers predicted that the lower-priced basics will continue to outsell the newer colored items this year.

Typical of how low prices can go, is an ad from ShopCo, which displayed SuperMax curling irons at a final price of 99¢ in a recent circular. The promotional price was $4.99, down from $5.99, and the manufacturer's rebate was $4.00.

Three other rebates were offered in the same ad: SuperMax dryers for a total of $4.99, Windmere curlers at $14.99 and Ronson razors at $9.99.

Lastly, retailers said the basics business will remain a name brand category. The four leading brands at the discount stores are Conair, Clairol, Norelco and General Electric.

Conair's market share was as little as 34% in the West to as much as 47% in the North Central region. This compared with the next leading brand, Clairol, which had as little as 22% in the South and as much as 47% in the West. Norelco has as little as 17% in the Northeast and as much as 45% in the North Central while General Electric has as little as 21% in the West and as much as 40% in the South.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AND JUMP
THROUGH THEM
TO MAKE YOUR
DEPARTMENT
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PROFITABLE.
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It's what we did for K-Mart. And it's what earned us the K-Mart Vendor Recognition Award.
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We know that if properly managed, your jewelry department isn't just a jewelry department, it's a gold mine. But you've got to work with people who really know what they're doing. And that's us.
So, if you want top sales performance and sales representatives who really know the meaning of service, call Jerry Fleischman at 401-272-6100. He'll tell you how we can turn your jewelry department into a real gem.
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From design to sales service, we do it all

Discounters Give Fashion Jewelry Department More Play

Nationwide DSN Report

Discounters are attempting to sustain excitement in fashion jewelry with a broad range of styles and price points, while more aggressively pursuing their fine jewelry business as well.

One of the strongest fashion looks for fall is gold- and silver-plated necklaces, bracelets and earrings; price points will extend into the $15 range.

This bridge jewelry is mainly targeted at women aged 20 and older who want to supplement their 14-karat wardrobe with inexpensive but trendier items.

Previously, better fashion only played a very minor role in discounters' jewelry assortments; then, the focus was on more inexpensive pieces starting at 99¢ price points and topping out at about $7.

Other strong 1986 looks—with some modifications—were carryovers from recent seasons, including bright color palettes, rope necklaces, bold earrings and antique- and heraldic-look pins.

After skyrocketing to more star-like status as a very hot category for three years, fashion jewelry is now becoming a more stable discount store business. Retailers said they don't expect to enjoy the same fast-paced sales as in years past.

This leveling off is also expected to hold true in fashion watches, which have become a staple rather than a novelty in discount stores.

No New Trends

A K mart buyer said he is cutting out one of the five lines of fashion watches the chain carried. He pointed out no new trends in watches have surfaced to replace the look born with the introduction of the Swatch Watch about two years ago.

In response, several chains are now refocusing on their fine jewelry mixes, in a bid to recover some of the higher margin sales lost to the fashion business. One of their tactics is introducing some of the styling and color seen in fashion pieces into fine jewelry assortments.

Caldor is adjusting its fine jewelry mix to place a new emphasis on the middle and low end of the price spectrum. The chain is adding more color to its 14-karat area with onyx, ivory and more semiprecious stones like lapis. The pieces will retail in the $50 to $75 price range; the chain stocks gold neck chains and earrings priced up to $150.

The discounter is also changing its fine jewelry mix to lean more toward items priced at $50 and less. (At the same time, price ranges for fashion jewelry has risen at Caldor from $12 to $25 for items like manipulated chains combining lucite and metal or stones and metal.)

At K mart, 14-karat gold sales jumped 30% last year over 1984, and although the beginning of 1986 was slow, sales again shot up around Mother's Day, said a buyer.

(Continued on page 113)

in Marshalls' new prototype store in Bedford, Mass., jewelry was expanded and merged into a women's accessories section including handbags, hosiery, fragrances and hats. (DSN photo)

Jewelry $4.6 Billion	
Full Line Discounters	$1.5B
Catalogers	$2.5B
Specialty Discounters	$0.6B
Full Line Discount Store Productivity	
Sales	$1.5B
Sales per Store	$181,300
Dept. Size	595 Sq. Ft.
Sales/Sq. Ft.	$304.20
Turns	2.1
Initial Markup	49.2%
Gross Margin	40.6%

Source: DSN *research*

Guess who just made a big name even bigger?

Sarah Coventry®

Ask your customers who Sarah Coventry is, and 92% of them will be able to tell you – quality fashion jewelry. Attractive to look at. Attractively priced. Attractive to mass merchandisers.

1. with free floor displays that take up a little bit of space. But make a big impression.
2. with earrings at key price points to bridge your low-end fashion goods and your 14 kt. gold.
3. with top quality and styling, U.S. made, all with a lifetime guarantee.
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5. with trouble-free servicing.
6. with a 7% ad allowance.
7. with free ad slicks and transparencies.
8. with "special" signs to announce your advertised sales.
9. with a bonus money program to protect your gross margin.
10. with more turnover than you ever thought possible.

It's a beautiful program.

For complete case histories and product information, call Jerry Drown, Vice President/Sales, Sarah Coventry Fashion Jewelry, 1-800-225-2446.

Sarah Coventry featured ear studs [illegible] $25,000 Pyramid Sale of the Century Early

p&b

Discounters Give Fashion Jewelry Department More Play

(Continued from page 111)

The strongest 14-karat gold sales are in chains, although the buyer noted an upsurge in gold bracelets, and some interest in sterling silver.

Gee Bee is testing the limits of its entire fine jewelry department with the introduction of more varied lengths, thicknesses and designs in its 14-karat gold chain offerings. For example, a quadruple herringbone chain was brought in last Christmas and sold out.

T.J. Maxx, the off-price specialty chain, sidelined the fashion jewelry business and instead launched a test of 14-karat and sterling silver jewelry in three stores. The test involves a limited assortment of chain necklaces, bracelets, charms and earrings in stores in Orange, Conn., and Sudbury and Peabody, Mass.

Several chains have been giving their entire jewelry department stronger positioning through changes in department layout and fixturing.

In its latest prototype store in Proctorville, Ohio, Heck's placed jewelry at the front of the store, adjacent to apparel, moving it out of photo and consumer electronics.

Marshalls, which unveiled its newest prototype in two stores in Bedford and Newton, Mass., gathered all accessory categories—jewelry, handbags, hats, hosiery, sunglasses and fragrances—into one department.

The number of showcases devoted to fine jewelry was increased to 10 in the Bedford store, about double the number in other Marshalls units.

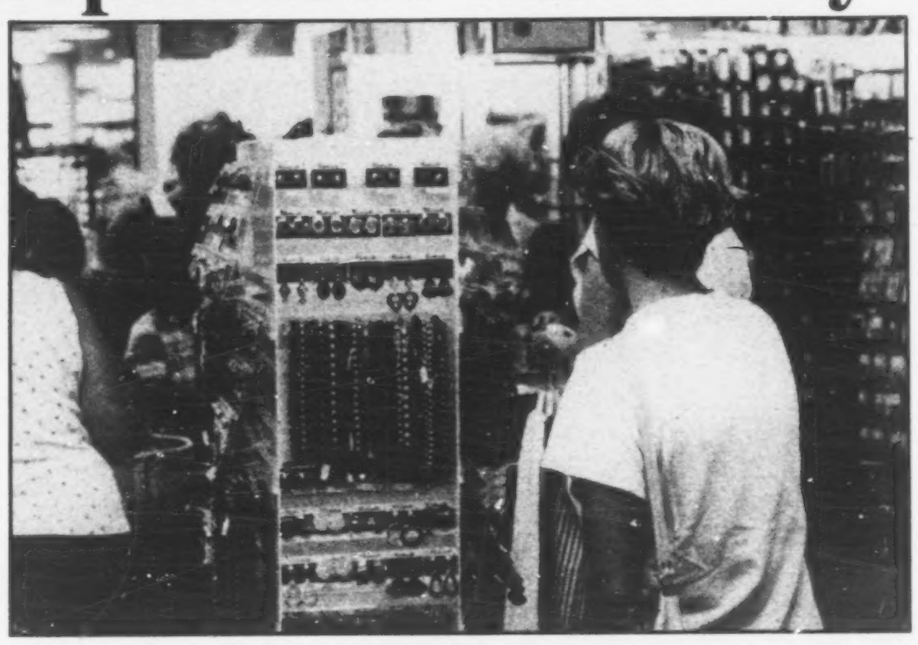
The recent changes in department layout and assortment suggest retailers's confidence in the ongoing strength of both fine and fashion jewelry in their stores.

Industry observers point out department store jewelry looks have been filtering down to the mass market level faster than ever before—sometimes only a season or less later. They explain this is because jewelry design has begun to follow apparel trends in terms of color and style more closely.

Some of the fall fashion looks include:

- Gold- and silver-plated tailored pieces.
- Longer, 40-, 68- and 72-in. rope chains.
- Larger button, hooped or doorknocker earrings. Interest in extreme dangle earrings has fallen off.
- Fall brights in richer, deeper tones than previous seasons, such as jade, cobalt blue, red, pink and yellow.
- Neutral colors, including light and dark gray and taupe in addition to the usual black and winter white. The African influence will be apparent in wood pieces with splashes of jungle colors for accents.
- Darker colors like rust, plum, purple, dark blue, medium gray and forest green.
- Romantic antique-look and heraldic pins, in addition to pins decorated with rhinestones.

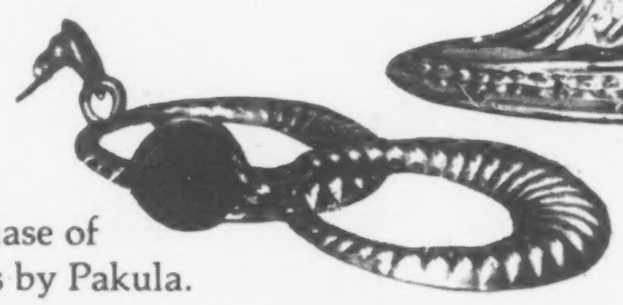
The jewelry area in hypermarket Biggs in Cincinnati uses overhead signage to draw attention to nontrendy but pricier items such as popular branded watches and 14-karat gold.



Many of this year's hot styles in fashion jewelry, like beaded necklaces and button earrings seen at Clover, Lancaster, Pa. are expected to carry over into next year. (DSN photos)

This month,
Pakula would like to send you
some fashion jewelry salesmen
who never speak,
are 3½" tall,
and will be
irresistible
to your
customers.

They're earring trees fashioned as owls. Unicorns. Mushrooms. A dozen captivating shapes in all.



And we're offering them to your customers for only $1.00 with the purchase of two pairs of earrings by Pakula.

Sales-making promotions. Just one part of a multi-faceted program created exclusively by Pakula to fit your specific needs.

Expect something new every month. We intend to clog your aisles with customers!

Pakula & co. CHICAGO
166 The Apparel Center / Chicago, IL 60654 / 1-800-4-PAKULA

Every time you turn around,
there's something new from Pakula.

Rebate Mania, Promo Pressure Hurt Small Electrics Margins

Nationwide DSN Report

Discounters expect more traffic and better productivity for electric housewares in the coming year.

However, tight margins and rebate mania continued to plague the department.

Margins slipped during the past year to 21.3% from last year's 23.7%; turns improved slightly as a result, rising to 3.5 from 3.1 the previous year.

The pressure has forced discount department store operators to search for new veins to mine, and to rein in on inventory and assortments. Buyers saw no relief from the coupon-laden customer who has come to expect a hair dryer for next to nothing.

Among the categories discounters said offered some healthier alternatives were higher margin under-the-cabinet electric appliances.

More manufacturers have entered that market, and have given buyers some room to adjust their assortments and differentiate themselves from the competition. The hope was that this strategy would help eliminate price cutting on easily identifiable brands.

Among the most visible small electrics category that manufacturers have rushed into was the down-sized food processor, a category launched with Sunbeam's creation of the Oskar.

Generated Interest

That product generated enough interest in the category to increase total food processor sales from 2.5 million annually to 3.5 million.

In most regions of the country, microwave oven sales were cooking. However, on the trend-setting West Coast, buyers reported that sales were waning, a signal that the market could have reached saturation point.

For now, buyers said that falling prices will keep the category hot through year end, particularly in smaller, apartment sized units. By some estimates, small ovens will account for half the category's unit sales this year. But, with price points dipping below $90 on domestic models and under $80 on imports, there's not a lot of profit fat left over.

If discounters were able to find any margin relief in the category it was in microwave cookware accessories.

Discounters said that as a promotional item, the category kept strong traffic flowing into the store. Even as an everyday item, the cookware was a strong seller.

Elsewhere in electric housewares, the news, and some action was in Eurostyling. After several years as a department store staple, the look—most often expressed as a white trim and rounded corners finish—has begun to appear in discount stores.

The verdict on the importance of Eurostyling, however, was not unanimous, although K mart, Caldor, Wal-Mart, Target, Venture, Gold Circle, Gemco and Hills were currently selling Eurostyled electrics.

The microwave oven category is benefitting from inexpensive compacts. Wal-Mart featured a moderately priced Litton Quick 'n Easy in a St. Louis market action alley. (DSN photo)

Electric Housewares $2.2 Billion

Full Line Discounters	$1.7B
Catalogers	$0.5B
Specialty Discounters	NA

Full Line Discount Store Productivity

Sales	$1.7B
Sales per Store	$205,500
Dept. Size	850 Sq. Ft.
Sales/Sq. Ft.	$242.35
Turns	3.5
Initial Markup	31.7%
Gross Margin	21.3%

Source: DSN *research*

People buy Precise™ rolling ball pens not only because they write smooth, write thin, write in brilliant expressive colors and write crisply through carbons:

they also have quality written all over them.

PILOT

One glance at the needle-like collar and your customers know that the Precise writes thin. But before the cap comes off they already know this pen says quality. We've spent millions of advertising dollars supporting that claim. You can count on us to keep that pressure on.

A rolling ball pen that comes in fine and extra-fine points and has everything your customers want, can only be the Pilot Precise. Only $1.19 each.

PILOT precise™

Membership Warehouse Clubs Rewrite Chain Stationery Biz

Nationwide DSN Report

The discount stationery business has changed.

For the discount department stores, the emphasis has shifted away from filler paper and notebook basics to fashion/party goods and upscale, bigger-ticket greeting cards. Home office supplies, too, are playing a key role, but the rise of the membership warehouse club segment could soon erode discount department stores' hold on this market.

Among the signs of change were the insurgence of new party shops, featuring color-coordinated paper party goods and gift wrap, and new vendor supplied fixtures in greeting cards.

These display shelves—like what is seen in Hallmark and other card shops—are taller and shallower and adapted to the discounter's relatively small selling area; they allow the consumer to see the selection clearly.

The success of these reformatted departments have prompted some chains to further explore the upper reaches of the greeting card price range by testing an electronic greeting card writer. Wal-Mart, Heck's, Gee Bee and Prange Way were among the discounters testing the item.

Sales Increase

Overall, stationery sales are expected to increase by about 5%, to $2.3 billion through the end of this year, according to *DSN* research.

Zayre was one of the chains who recently restated its stationery department goals by reformatting the area in approximately four dozen stores. The new department, led by programmed paper party goods, is now highly visible at the front of the store.

In fact, the new emphasis at discount stores may be happening at precisely the right moment: The membership warehouse club operators are beginning to make serious inroads into the business.

The stationery department, heavily shopped by small business operators, currently accounts for approximately 10% of the membership warehouse clubs' total volume.

Last year, total volume of the warehouse clubs was under $4 billion; by the end of calendar 1986 it is expected to top $8 billion.

And, discounter market erosion may be accelerated by shifting membership policies at the clubs. Some warehouse clubs are currently considering less restrictive membership criteria.

This would mean previously ineligible consumers could soon end up going to the warehouse clubs to take advantage of the sharper prices.

While the average discounter has come to expect gross margins of about 42% on stationery items, the membership warehouse clubs stick to a 10% markup, which holds for the entire assortment.

While for discount formats the repeat business and traffic was in office supplies, writing instruments, paper and other office supplies, the membership warehouse operators make a considerable space and inventory commitment to furniture, typewriters, copiers, and cash registers as well.

School supplies, shown in K mart, Long Branch, N.Y., remain a staple for discounters. Buyers expect some gains due to a rise in the number of high school and college students. (DSN photo)

Stationery $2.3 Billion

Full Line Discounters	$2.3B
Catalogers	NA
Specialty Discounters	NA
Full Line Discount Store Productivity	
Sales	$2.3B
Sales per Store	$278,000
Dept. Size	1,875 Sq. Ft.
Sales/Sq. Ft.	$148.26
Turns	3.5
Initial Markup	47.4%
Gross Margin	41.6%

Source: DSN research

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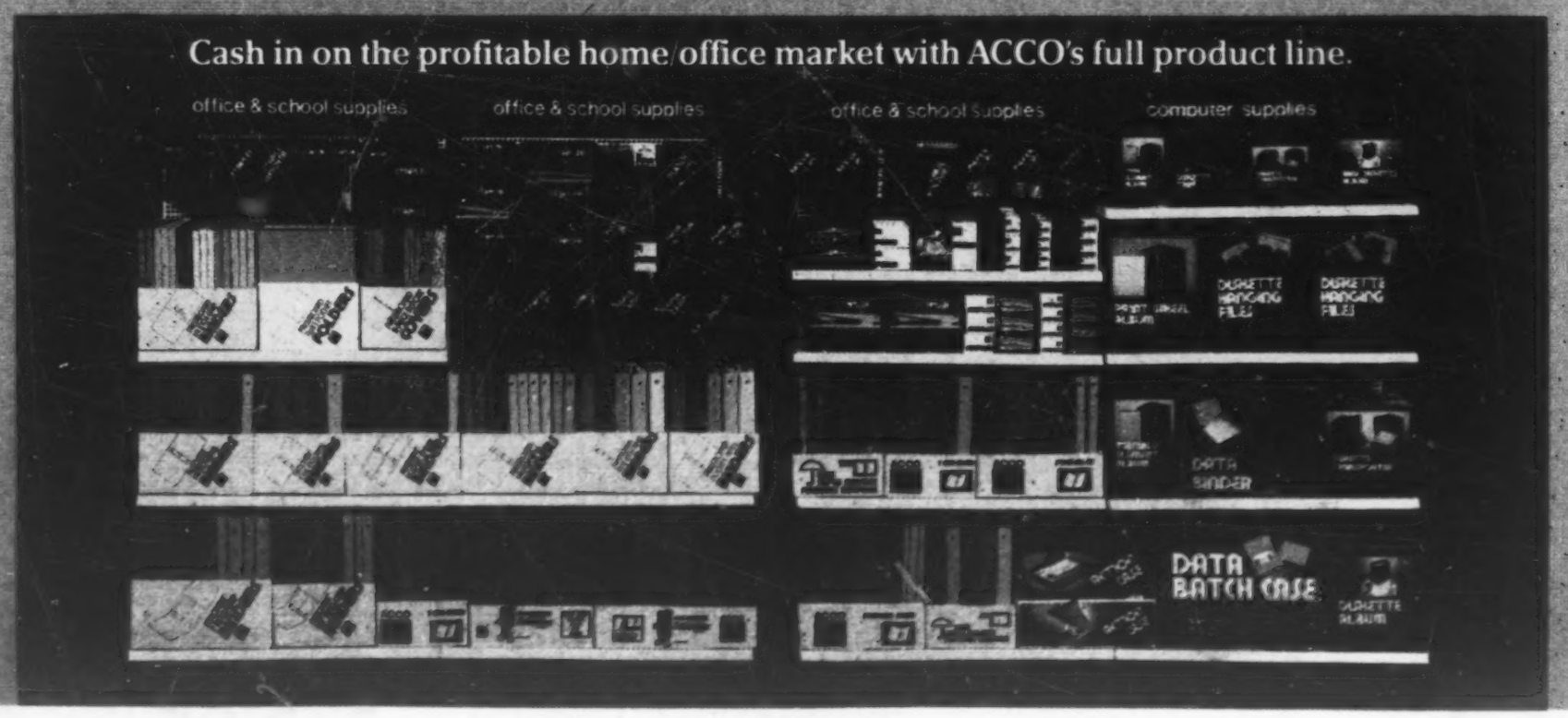
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Chains Refocus on Basic Toys as New Item Excitement Disappears

Nationwide DSN Report

This year may be best remembered as a test of discounters' ability to generate consumer excitment in toys—using the same assortment as last year.

The top seller list had a few new items like M.U.S.C.L.E, Jem and Madballs, but also contained the familiar Pound Puppies, GI Joe, Cabbage Patch Kids, Masters of the Universe and Teddy Ruxpin—key performers from last year.

This assortment was expected to give discounters the ability to respond to hot products as they emerge later in the year. But, as a specialty store chain president pointed out, "You wish you knew from the first half what to look for in the second half, but so little goes on in the first half."

Overall, toy sales were sluggish early in the year. And with discounters delaying buying decisions for their fall programs until the last minute, it is almost certain that manufacturers will have problems meeting the orders placed for the fourth quarter.

Key Category

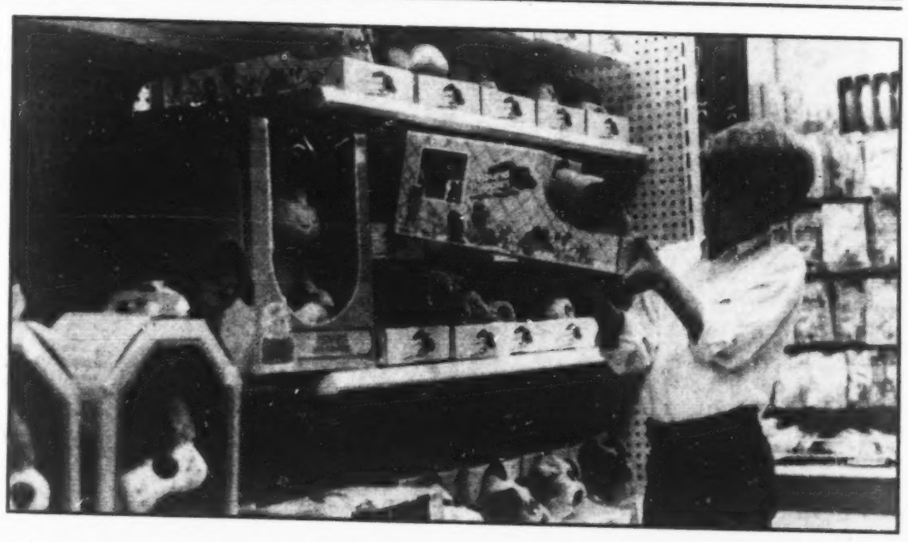
Action figures remain a key category. But discounters found it necessary to price promote at mid-year to generate sales. Gold Circle is selling $4.99 Masters action figures at two for $8 and $2.99 GI Joe action figures at two for $5.

In licensed plush, predictions that Fluppy Dogs, Wrinkles, Popples, Pound Puppies and Teddy Ruxpin would become more important as a category have been proven true.

However, sales of Popples showed the smaller, less expensive sizes account for more sales than the larger sizes with price points ranging from the high of $26.97 to a low of $19.97 on ad. The smaller sizes were offered for under $9.99. Similarly, the price point on Amtoy's 26-in., My Pet Monster was $29.97, Fisher Price's Puffalumps was promoted at $22.97, and Coleco's Wrinkles sold for $27.97. Teddy Ruxpin's price slipped. Child World offered it at an everyday price of $59.99.

Robotics continued to lose ground. For a while, robotics kept pace with action figures like Masters of the Universe and GI Joe, but successful lines like Transformers became the exception rather than the rule. Bradlees, for example, has cut prices on GoBots vehicles, figures and puzzlers by 33%. Gold Circle cut prices on all Transformers and GoBots by 25%.

In girls' dolls, Coleco continued to prove it can extend the life of its hottest property by using new names, costumes, identities and promotion. The Cabbage Patch Kids continued to prove they have staying power, contradicting predictions they would begin to fade in mid- to late-1985. K mart offered the standard Cabbage Patch dolls at $27, but Child World has listed the new Circus Kids CPK at $36.99.



Licensed plush continues as a strong volume producer in the toy category. The characters featured at discount chains including Caldor, Mahopac, N.J., are holdovers from last year. (DSN photo)

Toys $8.1 Billion	
Full Line Discounters	$4.4B
Catalogers	$0.6B
Specialty Discounters	$3.1B
Full Line Discount Store Productivity	
Sales	$4.4B
Sales per Store	$531,900
Dept. Size	2,560 Sq. Ft.
Sales/Sq. Ft.	$207.81
Turns	2.7
Initial Markup	36.8%
Gross Margin	27.8%

Source: DSN research

Discounters expect growth in curtain and drapery as department stores abandon the ready-made market for custom work. Gemco, Duarte, Calif., uses mock window display. (DSN photo)

Domestics Leads Chains' Plunge Into Upgraded Home Departments

Nationwide DSN Report

Discounters keyed in on several growth areas in domestics to capture a bigger share of the marketplace.

Through broader and more fashionable assortments, discounters expect to develop their business in bed, bath and kitchen ensembles, basic, juvenile and waterbed bedding, curtains and drapery.

At the same time, several chains continued to integrate domestics into a total home fashion environment encompassing housewares and furniture.

Gold Circle is one of the latest chains to unveil a new home store. The new layout places decorative home, including area rugs and decorative pillows, adjacent to furniture, and table linen near dinnerware and flatware.

Wal-Mart experimented with the home store concept in a single store, testing the placement of the domestics department in the middle of the store along with housewares, rather than along the back wall.

Some chains, like Gemco and K mart, having already revamped presentations and assortments, stepped back to fine-tune their work and roll out the departments.

For fall, discount and specialty store retailers are looking to higher-count and higher-cotton content sheet sets, bedding in watercolor hues and a continuing infusion of large and small scale florals in pastels and brights.

Retailers at the latest domestics market in New York were also taken with more whimsical bedding styles targeted at the adolescent and teen markets.

In bath, prints on terry caught buyers' attention for fall, along with varied shades of peach, green, blue and rose.

During the past year, discounters have been focusing more strongly on finding a niche in particular categories.

Tied-Together Look

Capitalizing on the trend toward bedroom decor with a polished, tied-together look, discounters have built bedding ensemble assortments.

K mart pushed its bedspreads business by merchandising separately packaged matching accessories. Decorative table rounds, now a part of the chain's everyday assortment, showed outstanding sales.

At the same time, chains such as Gold Circle and Gemco encouraged tie-in sales in the bath area by stocking towels along with matching ceramic and plastic bath accessories and shower curtains.

Waterbed bedding, spurred on by rising waterbed sales, has also become a stronger factor in discounters' domestics departments. Instead of offering very limited assortments, buyers have been building complete departments that include more traditional patterns, broader color palettes in satin, mattress pads and conditioners.

Domestics $4.8 Billion	
Full Line Discounters	$3.6B
Catalogers	$0.3B
Specialty Discounters	$0.9B
Full Line Discount Store Productivity	
Sales	$3.6B
Sales per Store	$435,200
Dept. Size	3,150 Sq. Ft.
Sales/Sq. Ft.	$138.10
Turns	2.5
Initial Markup	44.5%
Gross Margin	34.9%

Source: DSN *research*

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Discounters Look to H&BA Dept. for Price Wars Strategy

Nationwide DSN Report

The battle of the '80's—everyday low pricing versus circular driven promotions—will most likely be fought harder in the health and beauty aid department than in any other section of the store.

The dual price cutting strategy is currently wielded by a host of chains, including Heck's, Bradlees, Venture and Gold Circle.

These discounters have tried to draw their competitors' shoppers into the stores with sharp circular prices. Once the customer is there, they hope low everyday pricing, particularly on items like H&BA will keep the consumer spending.

Deep discount drug chains, like Drug Emporium, have not been immune. These operations have steadily drawn away from their no-advertising policies—a crucial underpinning of their low margin operations—and into print.

Overall, the direction of the market is clearly evident in this year's full line department store productivity. Discount H&BA pricing structures pegged average initial markups at about 25%; gross margins averaged 19.6%—and these are among the narrowest pricing policies the industry has ever seen.

Steady Pressure

This steady pressure on profits is forcing discounters to mine potential product categories deeper than ever before. Ethnic H&BA, hair coloring and eye care products are among the underexploited categories discounters used to heat up department traffic.

Last year alone ethnic H&BA gained 28% over the previous year; 41% of the $2.5 billion ethnic H&BA industry is in hair care products which topped $1 billion in sales last year, according to Business Trends Analysts and AHBA.

Discounters have so far claimed roughly 19% of the ethnic market; drug stores lead with 60% of the business.

Beyond the ethnic market, hair coloring mousses and gels were highly promotable for the growing teenage market, especially at back-to-school time, according to industry sources.

Eye care solutions also generated high sales. There are currently 14 million contact lens wearers. By this time next year there will be another two million new contact lens wearers; 75% to 80% of them will be wearing soft or extended wear lenses.

With this in mind, many discounters are adding space and sku's, especially in sensitive eye formulas which are among the top sellers; they have a three-to-one sales ratio over regular soft lens products.

Sales leaders are Bausch & Lomb Sensitive Eye solution, Softlens Cleaning Tablets and Bausch & Lomb Saline solution.

Discounters have had good returns on private label feminine hygiene products and have increased the shelf space devoted to those items. Maxi pads, super maxi, thin maxi and the relatively new item on the market, panty liners, were part of the private label mix. This product introduction has increased category sales without harming sales of other items in the assortment.

Everyday low pricing, a cornerstone to Wal-Mart's merchandising strategy, is prevalent in H&BA at most discount chains as competition with deep discount drug stores heats up. (DSN photo)

Health & Beauty Aids $5.8 Billion

Full Line Discounters	$5.8B
Catalogers	NA
Specialty Discounters	NA

Full Line Discount Store Productivity

Sales	$5.8B
Sales per Store	$701,100
Dept. Size	3,140 Sq. Ft.
Sales/Sq. Ft.	$223.25
Turns	4.7
Initial Markup	25.3%
Gross Margin	19.6%

Source: DSN *research*

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Children's Wear Dept. Emerges to Become Discount Hit

Heck's designed an expanded children's department for its 60,000-sq.-ft. superstores. In Proctorville, Ohio, infants, toddlers and young girls' areas are set apart by signing. (DSN photo)

Nationwide DSN Report

Children's wear increasingly has become a darling of an apparel department for discount chains.

Fashion influences in girls' wear and a gift-driven newborn business were just two of the areas that spurred optimism in the categories.

In response to the positive market influences, most chains were out to further boost sales by improving in-store presentations.

Jamesway experimented with a center store children's section in a Syracuse, N. Y.-area store. The idea of that test was to create a children's world within the store instead of tying girls' wear to ladies' clothing and boys' wear to the men's wear department.

Gold Circle, currently putting together a new protoype store in Cincinnati, was also out to emphasize children's wear as one of its key areas.

Gemco started to play-up its kids' wear department with at least two floor-to-ceiling focus wall displays within a department located in the front right corner of its newer stores.

Earlier this year, better presentation was the aggressive game plan set forth by chain merchants aiming to develop the newborn business. Nichols, K mart, Gold Circle and Fisher's Big Wheel were among chains slated to get improved signing and better segmentation of newborn items.

Aggressive approaches in kids' wear go beyond signing and presentation.

In the case of newborn clothing, Nichols expected to put twice as much merchandise on the selling floor. Inventory levels were to be raised at Fishers Big Wheel as well. At K mart, the buying budget for newborn was broken out from the rest of the infants/toddlers open-to-buy, as part of that chain's efforts to realize the newborn potential.

K mart, traditionally strong in children's wear, launched two other kids' wear programs this year: One for little girls' and another to build its older girls' business.

In the spring of this year, the chain started to sell half-sizes for older girls and also launched a membership club for little girls through its Noah's Ark private label line.

Important Size Range

That 4 to 6x size range is proving an important one at K mart. An executive told *DSN* that volume growth in the size range was double that of other apparel areas. The baby boomlet of the 1980's is now starting to impact that size range, he explained.

K mart initiated the half-size girls' wear program based on its success with large sizes for women and husky clothes for boys. The chain executive also noted similar programs and Sears and J. C. Penney.

Sasson, Kahn-Lucas and Wrangler were among the vendors asked to produce clothing to match K mart's sizing specifications. Hangtags on the merchandise gave the height, weight and chest, hip and waist measurements for the size, which ranges from 8½ to 16½.

Junior-oriented fashions fueled industrywide excitement and potential for gains in the girls' 7 to 14 business.

The fall '86 approach taken by discounters such as Caldor, Jamesway, Maxway, Hecks and Family Dollar was to key into the casual and trendy looks and cut back on the basics because the girl's wear business so closely mirrors the juniors market this year.

In terms of color that meant more black in bottoms designed to match bright solid or printed oversized tops.

Fleecewear is what delivers the trendy, casual look the girls thirst for, buyers agreed. One buyer was planning to have 50% of his tops in fleece for this fall. In bottoms anything knit was the overwhelming order for fall.

Jumpsuits, which this year emerged as a hot seller in the juniors area, were expected to take hold in girls' wear for fall.

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ANNUAL REPORT — LADIES' WEAR

Size-Oriented Boutiques Reshape Ladies' Wear Departments

Nationwide DSN Report

Discounters' efforts to emulate successful specialty stores by tailoring assortments narrow and deep has transformed ladies' wear departments into a series of areas sharply targeted to misses, junior, petite and large-size customers.

This strategy made it easy for discounters to zoom in on the season's hot sellers. It also aids efforts to increase sales by making a play for the various ladies' wear shoppers.

Petite-size clothing was one of the newest ladies' wear areas that discount stores have begun to hone. Target has carved out sections in some of its stores and Bradlees set up sections in 59 of its 157 stores during the last few months of 1985. Space was reportedly the only factor hindering a chainwide rollout.

Junior sections have become easier to spot. Bradlees latest prototype and Caldor's newer units showed the stronger focus on juniors.

Intimate apparel/lingerie departments and ladies' accessories have emerged as potential growth categories as discounters become more adept at matching fashion issues with a particular customer.

Caldor was one chain that completely overhauled intimate apparel and hosiery assortments with more colorful offerings and branded lines in an effort to bring the assortments in line with the rest of its ladies' apparel.

Gemco's efforts to place more emphasis on lingerie and intimate apparel meant moving the sections to the front of the stores, opposite the checkouts. And focal displays were devoted to ladies' panties, handbags and hosiery.

Large-size ladies' apparel is another category Gemco strengthened. After about five years out of the business the chain threw its hat back into the ring with expanded large-size sections in all of its stores. The newer departments were designed to be shallower and easier to shop.

K mart spun off a new division for large-size ladies' wear this year. The chain has planned to match the 20% sales gains it charted in 1985.

On the off-price front a crop of specialty chains are expanding rapidly. The Answer has grown from 13 stores to 37 in the past year and expects to end '86 with 50 units. A total of 100 units have been slated to be completed the end of 1988.

At least three other such off-pricers have expanded with all indications of eventual national presence.

The Limited's 293-unit Sizes Unlimited is the largest; the 20-unit Extra Special/Modern Woman chain was due to become bicoastal this year, and, the smaller West Coast-based Extra Special operation has planned six East Coast stores this year—for a total of 37 by year end.

Adding petite apparel sections is one way chains expect to boost ladies' wear sales. Bradlees started to add departments in its larger stores, including Mill Creek, Md., last fall. (DSN photo)

Another contender for the budget off-price business is the Charming Shoppes' 130-unit Fashion Bug Plus stores, a moderate price to budget specialty store. The addition of 32 stores last year and planned addition of 25 this year underscored the potential retailers see in the category.

The K mart merchandiser pointed to 35 million large-size women. Of those 50% reportedly work, 80% are married and as a group they spend some $8 billion on clothing.

As at other chains, K mart's approach in apparel is to develop private label. In ladies' wear that approach landed the national Crayons brand junior line into 1,400 stores starting last fall. The chain had tested the line in 500 stores.

K mart's exclusive Jaclyn Smith line was expanded in the spring of this year. The private label line is now about a year old and includes maternity wear in addition to the misses clothes, shoes and pantyhose bearing the label.

Caldor's revamped apparel approach prompted the chain to drop the Marc Robbins name that had been used in both hard and soft goods from the apparel line-up. The chain debuted a cache of ladies' wear house labels including Cleo, Spirit, Spirit Sport and Pembrooke Classics.

Each label represented a specific portion of the business. Cleo, for example, was designed for a contemporary, woman who has outgrown juniors but is more daring than misses, a chain merchandiser explained.

A beefed-up presentation, a narrow and deep assortment and a new private label program was also the equation at Fishers Big Wheel. The prototype that was unveiled late last year featured more focal displays in apparel. The private label was due in late spring.

Women's Wear: $20.4 Billion	
Full Line Discounters	$15.3B
Catalogers	$0.3B
Specialty Discounters	$4.9B
Full Line Discount Store Productivity	
Sales	$15.3B
Sales per Store	$1,850
Dept. Size	10,000 Sq. Ft.
Sales/Sq. Ft.	$185.00
Turns	5.0
Initial Markup	48.9%
Gross Margin	30.2%

Source: DSN research

ANNUAL REPORT — MEN'S/BOYS' WEAR

Chains Dress Up Men's and Boys' Wear Depts. with Color

Nationwide DSN Report

Men's and boys' wear promised to remain a colorful area on the discounters' selling floor.

Merchandisers have formulated a fuller fare of color but offered safe, proven styling to keep the sales pace of men's and boys' apparel at an acceptable canter. And, discounters seem determined to emphasize their men's wear assortments as much as possible through in-store placement.

Caldor opened in Secaucus N.J., recently with a men's wear section opposite the main entrance. Bright colors in shorts, woven shirts, young mens' tops and even accents on traditionally styled polo shirts cast an updated hue over that department.

In September retailers will once again drop in on the Men's Apparel Guild in California (MAGIC) show for a peek at the latest and the greatest for next spring.

If the last two MAGIC shows are any indication, discount merchandisers will take it all in but only take home the very, very saleable.

Last September, buyers who shopped spring '86 at the MAGIC show called the trendy offerings the "icing on the cake" not the meat and potatoes of their mixes.

At the February '86 MAGIC show most of the enthusiasm was sparked by bright colors. Merchants felt they could successfully combine basic looks with the new colors for this year's fall season.

Tops—fleece, long-john styled Henley knit shirts, puffed-ink prints and cotton wovens and jacquard or printed sweaters— provided all the fashion interest for fall.

Suspenders were seen in bright accent colors as the fashion accessory to pull together ribbed shirts, soft unstructured jackets and pants.

Discounters have been viewed as strong sellers of men's wear by vendors looking to post sales gains. Therefore, Munsigwear and Manhattan shirts have began rolling out lines for the mass market.

Munsingwear's line included 16 colors of knit tops in stripes and solids slated for delivery at Bradlees, Gold Circle and Wal-Mart. Most importantly, the label for discounters—Slammer USA—included the Munsingwear tagline to address discounters' desire for brand names.

Manhattan's dress shirt and accessory line also bore its brand name, which was licensed for pants socks and knit tops. Caldor and Bradlees bought that label for this fall.

With the same bright but basic story in boys' wear, buyers geared up for a promotional back-to-school season.

Artic fleece—in tops or lightweight outerwear—was pegged to be a hot seller this fall. Basic bottoms, including jeans and denim jackets, either unlined or with colored linings rounded out mixes.

In boys' wear, added color was the overwhelming strategy to boost sales this fall. Ames planned to offer seven colors in polo shirts compared with four last fall.

In men's wear, all the basic categories, including men's activewear and fashion underwear are expected to track sales gains with the help of broader color assortments.

Miami Vice popularized colored undershirts worn underneath soft, longer jackets. This has influenced the entire underwear business at chains, which stock colored briefs along with the undershirts.

Activewear was a category that benefitted from the insurgence of color, as well as the overall vitality of fleece and the strenth of athletic influences in men's wear.

Many discounters sell functional activewear in the sporting goods department and then keep a second men's activewear department in the soft lines side of the store.

A *DSN* poll conducted earlier this year showed that unlike many of the men's wear categories, men often buy their own sweat shirts, warmups, shorts and sneakers.

In the men's activewear category catalogers also competed for the business.

Best Products was projecting 20% to 25% gains in its sporting goods apparel business this year. The catalogers' business is very basic with gray and blue sweats and silver warm-ups with black accents dominating the mix.

Off-pricers have had some difficulties of their own. The story at U.S. Shoe is typical. The men's off-price division found its assortment too high in taste and price level and too heavily skewed to tailored clothing. This year the chain intensified its mix to strengthen its appeal to the younger, fashion conscious shopper.

Men's/Boys' Wear $11.4 Billion	
Full Line Discounters	$8.9B
Catalogers	NA
Specialty Discounters	$2.5B
Full Line Discount Store Productivity	
Sales	$8.9B
Sales per Store	$1,076
Dept. Size	7,710 Sq. Ft.
Sales/Sq. Ft.	$139.56
Turns	3.3
Initial Markup	46.5%
Gross Margin	34.4%

Source: DSN research

Activewear is a hot growth area according to men's wear buyers. At Prange Way, Green Bay, Wis., men's activewear is stocked in the sporting goods and the sportswear section. (DSN photo)

At K mart, Lodi, N.J. cookies and snack crackers are part of the chain's expanded food mix which also includes juices, other beverages, nuts, candy and party foods. (DSN photo)

Chains Rebuild Consumables Mix To Fatten Up In-Store Traffic Flow

Nationwide DSN Report

Increasingly, discounters are returning to an old staple—consumables—to build traffic in their stores.

In past years, most discounters slowly withdrew from most of this category because of low margins and intense competition from supermarkets and convenience stores. In addition, as many chains sought to upgrade their image with department store-like presentations, consumables were jettisoned as out-of-step with that effort.

But despite past disappointments and an unwillingness to give consumables sufficient attention, discounters have rediscovered the ticket-building potential of snack foods, beverages and nonfood consumables.

While profits for many consumables—such as carbonated soft drinks—remain low, their traffic-building ability and appeal as an impulse purchase is undeniable. Soft drinks turn as much as 45 times annually for some discount chains.

But despite high turns, Hills, for one, has decided to finesse the issue of soda pop's low profitability by conceding carbonated soft drinks to supermarkets and compete with noncarbonated juice drinks instead. Along with higher margins, the brik packs of these beverages have the added virtue of taking far less space than six-packs and unwieldy two-liter bottles.

Bulky packages don't faze warehouse clubs. The outlets, which rely heavily on grocery and other consumables, have concentrated on the larger sizes and multi-packs.

Consumables accounted for approximately half the total sales volume of this newer type of discounter. In Indianapolis, The Wholesale Club placed key grocery items such as frozen foods and dairy and deli products at the rear of its building in order to draw customers through general merchandise offerings.

Major Element

Many discount chains began life with full-scale grocery departments as a major element in their stores.

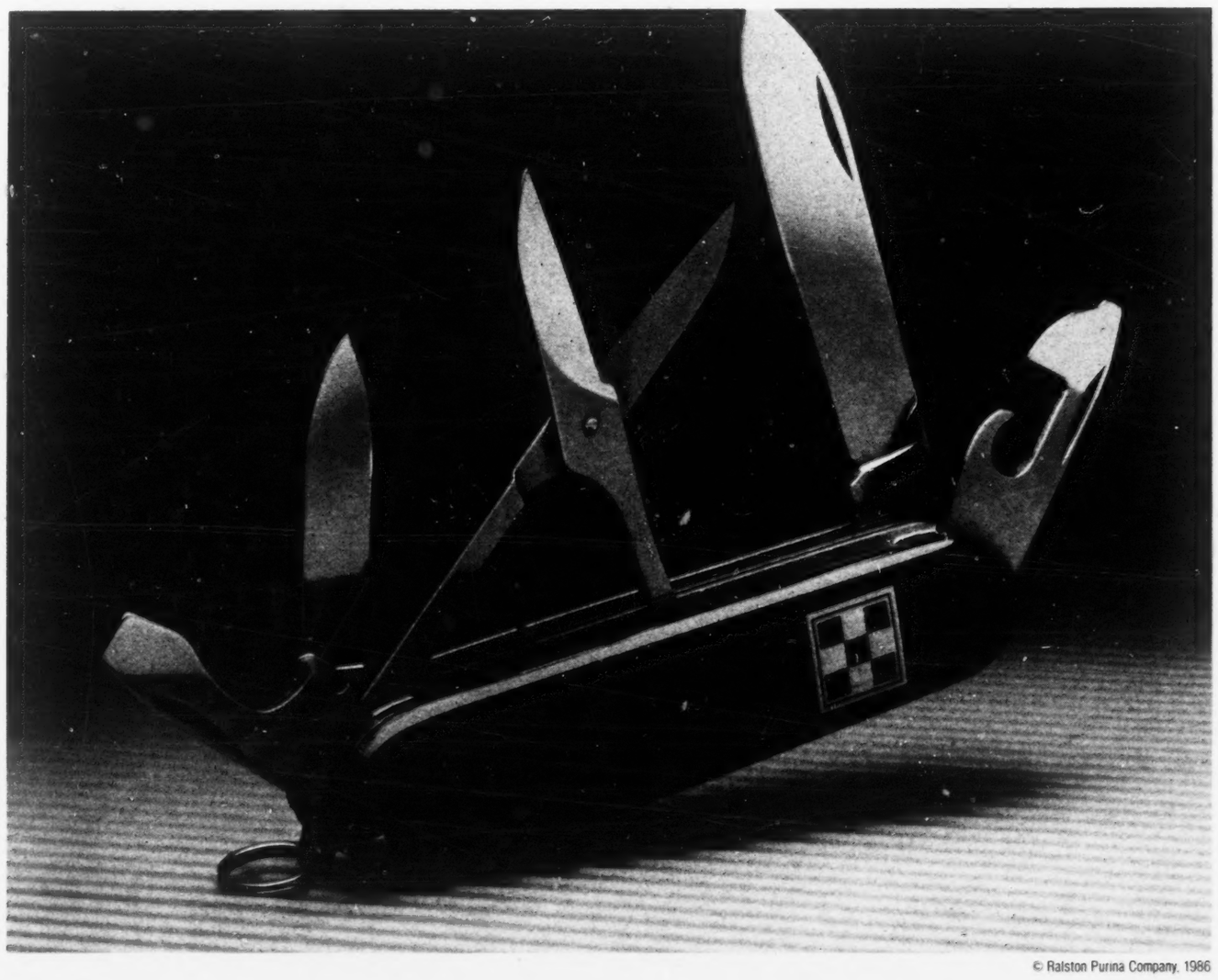
Today, however, these integrated supermarkets are less common and many discounters are cutting back even further on dry groceries and canned goods in favor of more impulse-driven products such as microwave popcorn and honey-roasted nuts.

Gold Circle eschews grocery staples but has recently expanded its shelf space for snacks from an average of 28 ft. per store to 40 ft.

In many stores, K mart attempts to build excitement and create a distinctive look with Party Shop departments. The section combines beverages with snack crackers, nuts, olives and antipasto as well as nonedible consumables such as cocktail napkins.

Candy, a key consumables category for discounters, has been dominated by frequent seasonal spurts, such as Halloween, Christmas, Valentine's Day and Easter. But last-minute markdowns frequently have left discounters with a bitter taste as they attempt to clear out inventories on novelties. Some chains have responded by trimming the assortment of holiday novelties in favor of basic candies, but others like Zayre tough it out, refusing to mark seasonal goods down until a holiday has actually passed. They reason that much of the business comes from last minute shoppers who will readily pay full price.

Still, seasonal candies are an important portion of the business in discount stores, accounting for a full third of total annual sales.



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Sporting goods at K mart, Southfield, Mich., included badminton sets as well as relatively high-end items such as Prince tennis racquets and golf sets priced close to $100. (DSN photo)

Discounters Throw Sales Weight Behind Fishing, Camping Gear

Nationwide DSN Report

Discount stores and specialty chains are expecting modest increases in sales of sporting goods for 1986. As a result, they focused on key item promotions to maintain market share.

One factor brightening the outlook is the 1986 trend to stay at home and domestic, rather than overseas, vacations.

Discounters looked more closely at categories like fishing, also in response to changing leisure time habits.

Discounters skewed their fishing assortment toward affordable basics in lure kits, tackle boxes, rods and reels, in an attempt to get new customers hooked on the category and generate repeat sales.

At Target, rod and reel brands like Garcia, Shakespeare, Shimano and Cardinal were promoted with sale prices and rebates. The Garcia Sensor Touch rod and Cardinal reel that usually sold at $51.98 have been discounted to $43.98 and a $15 rebate brought the final cost down to $28.98. The Shimano Mark II reel that regularly sells for $24.99 was offered at $19.99. Shakespeare Omni reels regularly priced at $6.99 were promoted at $4.99 and were packaged with a Plano tackle box that is not on sale. Target also offered 25% off the price of its assortment of Rapala lures.

At Venture, fishing rods by Zebco, Berkley and Southbend, spinning or spincast, were all on sale with 50% savings. The regular price was cut from $14.99 to $9.99 and consumers were offered their choice of all three brands.

In late spring promotions, just about every chain took a swipe at promoting baseball gloves, and many also slapped a sale price on bats.

The Promotional Pace

Target set the promotional pace with 25% off on its entire baseball and softball assortment, including brand names like Wilson, Rawlings, Spalding, Regent and Mizuno. Prices set at $9.99 to $69.99 everyday were reduced to $7.49 to $52.49 on sale.

The chain also offered 25% savings on soccer balls, volleyballs, basketballs and footballs. All outdoor games were on sale for 25% off, so that game sets like croquet, volleyball, tetherball and horseshoes that normally sell for up to $49.99 were listed at a top price of no more than $37.49.

Gold Circle reduced prices on all bats and gloves in stock by 20% and combined the offer with 25% savings on Puma footware.

Harts took a similar approach, offering 20% off prices on Rawlings and Regent softball gloves. The everyday prices ranged from a low of $8.88 to $58.88. The chain combined its baseball glove sale with lower-cost activity sets like Jarts, on sale for $3.97; Kent badminton sets for $5.88, and Kent volleyball sets at $14.99. Prices averaged reductions of about 20%.

Sporting Goods $6.1 Billion	
Full Line Discounters	$4.0B
Catalogers	$0.5B
Specialty Discounters	$1.4B
Full Line Discount Store Productivity	
Sales	$4.0B
Sales per Store	$483,500
Dept. Size	2,500 Sq. Ft.
Sales/Sq. Ft.	$193.60
Turns	2.0
Initial Markup	37.5%
Gross Margin	29.2%

Source: DSN research

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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May Stores: Venture, Caldor Stay Separate Chains

Chains' Strengths Preempt Venture/Caldor Merger

By ARTHUR MARKOWITZ

NEW YORK — May Department Stores contends it will continue to operate Caldor as a separate upscale discounter, rather than merging the East Coast chain with its Midwest Venture discount division.

Speaking at a press conference, three top May executives asserted Caldor, Loehmann's and 10 other Associated Dry Goods (ADG) chains would continue to be operated as independent divisions following the merger with ADG, which is now pending shareholder approval.

The three executives, in separate comments during the conference, specifically discounted trade speculation about an eventual merger of Venture and Caldor.

"We're going to keep these two chains separate. Both have a marvelous franchise and very strong positions in their market. Each is highly respected by consumers," said David C. Farrell, May chairman and chief executive officer.

He added that ADG had "highly talented executives" running its various chains and one benefit of the May/ADG merger was having these people join May.

(Continued on page 26)

James M. Guinan
Chairman, CEO, Caldor

Julian Seeherman
President, CEO, Venture

CALDOR

Caldor	Fiscal Year Ended 2/1/86	2/2/85
Sales	$1,338.0*	$1,257.0*
Operating Income	102.4**	86.0**
Stores	109	103

(In Millions)
**DSN estimate* Source: DSN research
***Includes operating income from Loehmann's.*

Venture

Venture	Fiscal Year Ended 2/1/86	2/2/85
Sales	$1,003.8	$882.0
Operating Income	58.0	49.8
Stores	62	57

(In Millions)
Source: DSN research

Caldor, Venture Duet Doubles May's Discounter Fire Power

ST. LOUIS — May Department Stores' pending acquisition of Associated Dry Goods (ADG) will give the retailing conglomerate a double-edged sword to fight other upscale discounters in the Eastern half of the country.

In the Midwest, May will continue with its Venture division which faces tough everyday competition from Target, a chain whose decor package and merchandise assortment industry critics have said are so close to Venture's as to confuse consumers.

On the East Coast, May will gain Caldor, which is striving to define an upscale apparel niche to strengthen its market position without going over the discounting edge like its closest rival, Bradlees.

Venture, already positioned in the apparel/soft lines business, is generating an estimated $182.95 sales per sq.ft. compared to Caldor's estimated $148.75.

With the takeover, however, Caldor stands to get a leg up in the apparel business by keying into two May corporate level operations which have helped Venture establish a strong position in soft lines: May Merchandising Corp., which works to pinpoint domestic fashion

(Continued on page 26)

Best Dismissal Builds Huntley's Role

News Analysis

RICHMOND — Bernard A. Cohen, executive vice president of troubled Best Products, was dismissed by top management to clarify the executive suite reporting structure of the $2 billion cataloger, according to trade observers.

Cohen's dismissal ended the blurring of authority between himself and Robert E. R. Huntley, Best's president and chief operating officer.

In addition to holding the title of executive vp, Cohen was also president of the Best retailing group, responsible for the day-to-day operations of the company's three retailing businessses: Best catalog showrooms, Ashby's apparel specialty stores and Best Jewelry specialty stores.

With Cohen's firing, all top executives now report directly to Huntley. Before, executives in such areas as merchandising, marketing and operations reported to Cohen who, in turn, answered to Huntley.

Huntley "believes communications are better with one person having the authority to run the company. It's hard for two people to share the authority," a company spokesman reported.

The restructuring trig-

(Continued on page 7)

Wal-Mart, reportedly responding to pressures from outside interest groups, recently took 32 rock and roll and teen magazine titles, including these, off store shelves.

Discounters Are Resisting Outsider Push to Censor Mix

By BETH A. SEXER
Nationwide DSN Report

Discount store retailers are holding the line against censorship campaigns being waged by outside groups eager to dictate what the chains can and cannot sell.

Their position has also not been changed by the recent Justice Dept. Commission on Pornography hearings, which saw the government agency move to have certain retailers ban adult magazines from their shelves.

(The Commission has, however, retracted a letter it sent out warning retailers who sell adult magazines that they would be branded pornography distributors.)

The one notable exception among discounters was Wal-Mart which, reportedly swayed by the preaching of Rev. Jimmy Swaggart, out-

(Continued on page 25)

1986 DISC Award Campaign Begins, Honors Service to the Community

NEW YORK — *Discount Store News* is now accepting entries for the 1986 Discounters in Service to the Community (DISC) Award program.

The winner will be announced in the November 24 issue of *DSN*; a special awards luncheon will follow in the winning chain's headquarters city.

Since 1979, *Discount Store News* has been recognizing the outstanding community service efforts of the discount store industry with this annual award.

In past years, Target, Zayre, Jamesway and Ames have all earned recognition for the community outreach endeavors of their store and headquarters employees.

Discounters are now invited to submit to a panel of industry and retailer judges any documentation (including newspaper clippings, letters, videotapes, etc.) that adequately describe the goals and achievements of the service programs they conducted in 1985.

Each entry should contain six complete copies of each supporting document as well as a 100-word statement outlining the program goals.

All entries should be sent to: Editor, *Discount Store News*, 425 Park Avenue, New York, N.Y. 10022. They must be received by the editorial office no later than October 1.

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AFTMA Exhibitors Lure Buyers —page 18

Feds Join Chains to Get Court Review of Gray Market Ban

WASHINGTON — Justice Department officials joined with discount industry leaders in urging a Federal appeals court to reconsider its controversial decision to slam the door on parallel imports.

At the same time, Congressional "gray market" advocates advanced new legislation to overturn that court ruling and preserve current Customs Service rules permitting parallel imports.

The focus of these latest Washington initiatives: a decision earlier this year by the U.S. Court of Appeals for the District of Columbia striking down long-standing Federal regulations enabling discounters to sell many foreign-made products as much as 40% below prices charged by "authorized" distributors.

No Exclusion Orders

Under present Customs Service rules, neither foreign manufacturers nor their corporately-related U.S. trademark holders are entitled to seek "exclusion orders" barring unauthorized importation of their products into the U.S.

Although a series of earlier court decisions have upheld this Customs policy, the Federal appeals panel in Washington ignored those precedents and ruled that the agency's regulations violate the intent of Congress when it enacted the Federal Tariff Act.

In asking the appeals court to reconsider and rehear the case, attorneys for the Justice Department argued that the tariff law was designed to protect the rights of American firms, not those of foreign manufacturers or their U.S.-based marketing branches.

"When Congress enacted the statute it did not consider the question whether the statute would apply to American subsidiaries of foreign corporations or to goods manufactured abroad under license by an American trademark holder," the government said.

"Given the intent of Congress" in passing the Tariff Act, they argued, Customs' pro-gray market regulations "represent a reasonable construction of the statute."

In a separate brief supporting the Justice Department's petition, K mart warned the court that if gray market imports are banned, "the American consumer will annually pay hundreds of million of dollars in overcharges."

The chain estimated annual retail sales of such unauthorized but genuine imports at $6 billion.

According to K mart, "almost every consumer has purchased a parallel import and will therefore be affected."

Concern over the appeals court's ruling has also spread to Capitol Hill where new legislation has been introduced to reverse that anti-gray market decision.

That bill, sponsored by Sen. John Chafee (R-RI), would resolve the dispute over Congressional intent by adding new provisions to the Federal Tariff Act specifically permitting parallel imports.

Prompt Consideration

In urging prompt Senate consideration of that measure, Chafee warned that "if we eliminate the paralled market, U.S. consumers will really suffer, being forced to pay up to 40% more" for many popular foreign-made goods.

In addition, he said, the availability of many of these imported lines "will be limited only to those major metropolitan areas where exclusive 'authorized' stores locate."

Chafee, whose bill has already drawn support from Sens. Warren Rudman (R-NH) and William Roth (R-DE), blamed greedy foreign manufacturers for creating the demand for gray market imports by overpricing their products in the U.S. market.

"The foreign firms see the United States as a wealthy market where they can demand higher prices for their goods than anywhere else in the world," he told Congress. "They set prices 30% to 40% higher here than overseas."

These huge price differences have "led to the enormous growth of 'price competitive' retail stores and catalog showroom businesses which buy their goods from the independent (parallel) importers," Chafee added. "Price conscious Americans who shop at these stores may be saving billions of dollars annually."

The current Congressional and courtroom efforts to preserve parallel imports take on particular significance in view of recent proposals by the Customs Service to strike a gray market compromise.

Proposed rule changes announced by the agency just last month would continue to allow such unauthorized imports, but require that either trademarks be removed from

(Continued on page 25)

New ITC Study Supports Tougher Import Controls

WASHINGTON — U.S. textile industry groups pushing for tougher "Multifiber Arrangement" (MFA) restrictions on apparel imports drew fresh ammunition from a new study released late last month by the International Trade Commission.

That ITC study, a report on the effectiveness of MFA restrictions on 41 foreign nations, found that despite these bilateral agreements, total shipments of MFA-controlled textiles and apparel to the United States rose by 294 million square yard equivalents (SYE) last year.

That rise, an increase of 8% over 1984's level, pushed total imports of soft goods from MFA countries to 10.6 billion SYE in 1985, according to ITC researchers.

But discount chains and other proponents of lower barriers on apparel imports may also cite ITC's study findings to justify their postion during the current round of MFA renegotiations.

Although the Commission's figures indicate a rise in total imports of textiles last year, ITC officials stressed that the nations subject to MFA restrictions are supplying the U.S. with a declining percentage of our total apparel imports.

Specifically, the report noted that "the share of total imports from these (41) controlled countries declined from 82.1% (in 1984) to 79.0%" (in 1985).

Woolworth on Expansion Track

Aims to Increase Specialty Store Sales

PHOENIX — Woolworth, stepping up its commitment to specialty retailing, has increased its capital expenditure budget to $225 million, with most of those funds directed at opening some 650 stores in 28 specialty formats by the end of this year.

Of those openings, 73%, or 475 units will be concentrated in seven of the company's fastest growing chains, John W. Lynn, chairman and chief executive officer, told a meeting of security analysts here.

The investment is expected to bring the company closer to its stated goal of increasing the sales contribution of its specialty stores to 37% of total corporate volume in 1989.

For the fiscal year just ended, specialty stores produced 33% of total sales, versus 31% for the previous year.

Kids Mart, the off-price children's wear division of Woolworth's Little Folk Shop chain, will benefit. Fifty Kids Mart stores will open this year; bringing its year-end total to 246 units.

Afterthoughts, the fashion jewelry and accessories chain which debuted last year; the Foot Locker athletic footwear chain, and Lady Foot Locker, the women's athletic footwear and sports apparel retailer, will also benefit.

Other divisions slated for capital spending are Sportelle, a principally Canadian chain selling women's leisure apparel; the Athletic Shoe Factory, for promotionally-priced family athletic shoes and apparel, and Burger King units, which have replaced food-service areas in several renovated Woolworth stores.

The company will double the units in its The RX Place, a deep discount drug chain launched last year.

As many as 300 of the specialty stores opening this year will be carved out of less productive space in existing stores belonging to Woolworth, said Lynn. For example, one Woolworth general merchandise (variety) store in a Jacksonville, Fla., mall now has an adjoining Afterthoughts fashion jewelry and accessories boutique, a Herald Square stationery unit and a Frame Scene picture frame specialty shop.

Woolworth's pursuit of the specialty store market has, for the first time, brought that segment's share of total operating earnings over the 50% mark. That percentage is expected to increase to 56% by the end of fiscal 1988.

For the fiscal year ended Jan. 31, 1985, Woolworth's total sales rose 3.7% to $6.0 billion, from previous year's sales of $5.7 billion.

Net income jumped 26% to $177 million last year, versus earnings of $141 million the year before.

Service Merch. Founder Harry Zimmerman Dies

NASHVILLE — Harry Zimmerman, founder of Service Merchandise, died at St. Francis Hospital in Miami of complications following heart surgery. He was 75.

An August 14 banquet in Nashville's Opryland Hotel to honor Zimmerman and also raise funds for his favorite charity, the Muscular Dystrophy Association, instead was turned into a tribute recognizing his leadership in the catalog showroom industry.

About 1,000 people had previously indicated they would attend the banquet. Service Merchandise, through the banquet, in-store efforts and employee contributions expects to raise $500,000 for the charity this year, $100,000 more than in 1985. A decade ear-

Harry Zimmerman

(Continued on page 25)

CompuServe To Now Market Electronic Mall

COLUMBUS, Ohio — CompuServe has taken over the marketing of The Electronic Mall, its electronic retailing service for home computer users.

The Electronic Mall had been marketed to retailers by the Advanced Media Group (AMG), a subsidiary of L. M. Berry. However, when Bell South recently acquired L. M. Berry, the Bell System divestiture ruling required AMG to be sold.

CompuServe, which is an H & R Block subsidiary, purchased AMG's assets for an undisclosed amount, hired its employees and assumed the marketing of the Electronic Mall to retailers and service companies like banks and airlines.

Chains Target Youth Bedding

Gold Circle is going after the youth market in domestics with bedding pattern offerings like "Phantasia" by Bibb. Items are marketed for children who have outgrown character license-patterned juvenile sheets. The youth market is the latest domestics segment discounters are using to generate excitement in bedding. See story page 11.

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Sporting Goods

MC Sporting Goods Plans Chicago Invasion

(Continued from page 3)

sq.-ft. store in downtown Chicago and two 30,000-sq.-ft. stores in the suburbs.

Two MC stores opened several weeks ago in the Old Orchard Shopping Center in Skokie and in the Northwest suburb of Schamberg.

Another store is scheduled to open this month, followed by one next month, said Raleigh Finkelstein, vice president and buyer of Michigan Sporting Goods.

Chain management also expected to open six more stores in the Chicago market next year, leaving five to go for 1988 launchings, said Finkelstein. All 15 stores, which will range in size from 15,000 to 30,000 sq. ft., will be located in suburban areas.

The chain, which had previously limited itself to stores in Michigan and Ohio, also planned to open two other stores in new markets in those states next year. This is in keeping with plans to contain growth within Midwest markets, Finkelstein added.

The presence of several established competitors in the Chicago market, however, has left Michigan Sporting Goods undaunted.

The chain was attracted to the area by its large suburban population and its high percentage of middle- to upper-income consumers, said Finkelstein.

Also, the added print and broadcast advertising dollars poured into the market by the promotionally oriented chain might stimulate more consumer interest in buying sporting goods across the board, rather than diluting each retailer's sales significantly, he added.

With Michigan's entry into the market, "everybody's going to do a little more business," said Laurence Mages, president of Morrie Mages sports. "On the other hand, everyone will want to be more price competitive. It'll be tight on profits."

He added, Michigan Sporting Goods may also find the going rough until it has enough stores in the marketplace to make the advertising spending worthwhile.

"They're going to have to open up a lot of stores and open them very quickly if they want to make the impact that they want," he said.

Also, the newest competitor on the block might be at a disadvantage because of its Michigan headquarters. The logistics of getting merchandise here, handling it properly, pricing them properly, is tough if you only have a few stores, he said.

Morrie Mages, which currently advertises about three times a week in the *Chicago Tribune* and the *Chicago Sunday Times* in addition to local papers and radio, won't increase advertising spending. The chain will be "more price conscious than we've ever been," Mages promised.

The chain will also try to fight competition by capitalizing on its image as "the local guy" by adding to its logo words to the effect of being a "Chicago tradition," said Mages. (The company's first store, in downtown Chicago, opened more than 17 years ago.)

K mart's continued commitment to fishing tackle, as shown in this Paramus, N.J., store, has positioned the chain to profit from strong growth in sales of rods, reels and accessories. (DSN photo)

Fishing Gear Sales Gain

Chains Consider Year Round Depts.

Nationwide DSN Report

Fishing is on the upswing.

According to buyers at many of the nation's top discount department store chains, fishing tackle sales have netted 10% to 12% increases this year.

Now, they find themselves beset by vendors urging them to convert those gains into a steady year round business.

Some chain buyers have responded positively: One based on the East Coast questioned the conservatism of buyers who shunned the holiday opportunities. "If you don't stock the items, you can't sell them," he reasoned.

His 200-plus store chain enjoyed strong rod and reel combination set sales through the end of the year, he said. In addition, he also had excellent success with tackle boxes. Forty percent of the chain's annual tackle box business is during the Christmas season.

In fishing tackle, he added, he relied on a basic assortment of rods, reels and accessories to tack him through the the gift-giving season. The mix during holiday is geared toward combination sets for beginners or replacement purchases.

He has found that lures and bigger ticket fishing tackle items tend to be more personal purchases, ones not easily predicted by gift buyers.

As in most things, however, not everyone agreed.

Dave Huscher, sporting goods buyer for ALCO, said that while he was willing to listen to vendor arguments about building fishing tackle sales past his strongest selling season, January to July, he thought the reality of the idea was at least premature, and at worst, unworkable.

The Problem of Space

One of the main problems: shaking space loose—both on the selling floor and in year end circular promotions—from the season's key hard lines area, toys. If it was spring, and the roles were reversed, sporting goods buyers said they wouldn't willingly make way for toys.

"It's a nice thought, but you have to be careful because [our] stores are not bigger and there isn't more room on the shelves. So we'd have to cut back on something else."

Huscher said fishing sales have experienced a major growth surge, with sales up "tremendously" for the first six months over the same period last year. Sales in the 1985 period also showed strong increases.

But those increases haven't changed familiar geographic and seasonal sales patterns enough to warrant the risk of taking on additional fourth quarter inventory.

In ALCO's southern market, Texas and Arkansas, the January to July period represented 76.1% of the chain's fishing merchandise sales. The remaining 24% of sales are generated throughout the rest of the year.

In the chain's more Northern markets, which reach as far as Minneapolis, 78.4% of annual fishing gear sales are scored in the first six months; 28.6% for the second half.

What works best for Huscher in the fourth quarter is a mix of 17 sku's featuring five different brands. Price points range from $8.78 for a Zebco selection up to a Shi-

(Continued on page 26)

Sporting Goods Specialists Lock Horns in New Markets

Nationwide DSN Report

The sporting goods chains are on the move.

In an effort to gain market share, they are steadily moving out of familiar marketing territories and taking on other reigning strengths in their home turfs.

Among sporting goods specialists whose sales volume qualified them for top 10 status, the most dramatic example of this showdown mentality is Michigan Sporting Goods' invasion of Chicago.

In the Windy City, Michigan's MC Sporting Goods stores will take on Herman's, Sportmart, Brown's Sporting Goods and another local chain, Morrie Mages Sports.

Michigan Sporting Goods apparently believed the market was big enough for one more chain to succeed, on a grand scale: The chain plans to open 15 stores there by mid-1988. Those new store openings will bring the chain's store count to almost 40 stores in two years.

Houston-based Oshman's, with 205 stores throughout the Sunbelt, California and Nevada, is mounting a push into the Northeast and the Midwest.

Using its new, 33,000-sq.-ft. prototype for its Oshman's Super Sports stores, the chain has announced it will open its first Northeast store next year in New Jersey, Herman's backyard.

Although the chain has not announced plans to close any of its 66 stores in the economically troubled Texas market, Oshman's doesn't expect any real sales improvements in the Oil Belt for three to five years.

For its part, Herman's is continuing under new ownership with much of the growth strategy established under its previous owner, the W. R. Grace Co.

A spokesman for the 131-store chain now owned by the Dee Corporation said Herman's has opened between 15 and 20 new store each year; the chain's newest markets were in Norfolk and Richmond, Va.

Typically, he added, Herman's entered a market with three to five store clusters that provide the necessary economies of scale in distribution and advertising.

Leading Sporting Goods Chains

	Volume (in Millions)		Number of Stores		
	Last Fiscal Year	Previous Fiscal Year	1/85	1/86	1/87
Herman's (N.J.)	$420	$368	115	131	131
Oshman's (Tex.)	312	304	184	203	215
Big 5 (Calif.)	175*	165*	70	89	89
Sportmart (Ill.)	129*	123*	11	12	12
Sunset Sports (Utah)	116*	110*	36	40	40
Recreation Equipment (Colo.)	62*	56	17	17	17
Gart Bros. (Colo.)	54*	49	13	14	14
Michigan Sporting Goods (Mich.)	42*	38	16	20	26
Academy (Tex.)	37*	35	17	20	20
Irving Sports (Va.)	17*	16	17	18	18

*DSN estimate

Source: DSN research

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Discounters' Top Apparel Labels

Ladies	Men's	Children's
Lee	Wrangler	Garanimals
Gitano	Lee	Wrangler
Wrangler	Fruit of the Loom	Lee

Source: DSN *research*

Lee-Wrangler Merger Effects Are Uncertain

By KAREN PAXTON
Nationwide DSN Report

The merger of VF Corporation and Blue Bell Holdings has those in the jeans business bracing for a series of ripple effects that could hit in a few months, in a few years or not at all.

VF, makers of Lee jeans and parent company of Bassett-Walker, among other apparel companies, recently agreed to buy Blue Bell, which makes Wrangler and Rustler jeans, for $378 million in cash and stock. VF is also assuming $414 million in long-term debt from Blue Bell, bringing the total transaction to just under $800 million.

The result is a company with close to 25% of the total jeans market, a share equal to that of Levi Strauss, according to Value Line Inc. More important to consider for discount chains, VF will now own two of the segment's strongest apparel brands—Wrangler and Lee.

The question still nagging executives at retail chains and competing jeans companies is: How will VF handle its new Wrangler/Rustler jeans operations?

VF has officially said the two operations will remain separate. For discounters, the merger will have no substantial effect at all, VF president Robert E. Gregory Jr. told *DSN*. In the long term, however, there could be some meaningful shifts as VF, known for its disciplined operations and efficiency, takes steps to improve Blue Bell and strengthen its total expanded jeans business.

Among the areas to be addressed by VF are Blue Bell's inventory levels and overhead expenses, which will include an evaluation of the company's promotional package that in-

(Continued on page 106)

Crazy Eddie Ready to Tackle Cable TV Shopping Market

By MICHAEL HARTNETT

NEW YORK — Crazy Eddie, already a $262 million powerhouse in consumer electronics discounting, is about to test a new medium: broadcast retailing.

The 25-unit New York-based chain, already the fifth largest CE specialty retailer in the United States, is the latest company to make a bid for a slice of the fledgling home shopping via cable TV business, estimated by some to be a potential $8 billion market.

Its entry into shopping by cable will be outside its current New York, New Jersey and Connecticut trading area. While showing it is willing to try innovative retailing formats, the chain is considered to be conservative in its approach to entering new markets. For this reason, its initial broadcasts are expected to focus on narrow, well-defined geographic areas.

(Continued on page 20)

Lucky Shuffles Gemco's Top Execs In Attempt to Stem Earnings Slump

By BETH A. SEXER

BUENA PARK, Calif. — In the face of an ongoing earnings slump at its Gemco discount store division, parent company Lucky Stores has redefined the responsibilities of Gemco's top management and brought in another Lucky executive to help run the $2.4 billion company.

Stan Brenner, who has been president since joining the company in early 1985, has been promoted to the new post of chairman, while Samuel Parker, president of Lucky's automotive division, has been named president.

Brenner will retain responsibility for the overall operation of the discount store division, with emphasis on merchandising, marketing, and executive development.

Parker, who joined Lucky last year from his post as president of Sav-On Drugs, will be responsible for the day-to-day store operations, personnel, labor relations, engineering and warehousing and distribution functions.

Additionally, David Dorman, executive vice president, resigned to pursue other interests.

The appointments were a recognition that Gemco needed more management manpower to guide the 80-unit chain as it struggles to rebound from poor earnings, and implement a three-year store remodeling program and new point-of-sale (POS) systems, said Larry Del Santo, executive vice president of Lucky Stores.

The management shuffle coincided with Lucky Stores' announcement last month that total corporate second quarter earnings would fall below last year's second quarter earnings of $25.2 million and below the current fiscal year's first quarter results. Net earnings for the first quarter, ended May 4, totaled $21.2 million on sales of $2.31 billion.

The anticipated second

(Continued on page 104)

Discount Leaders Urge Quick OK Of Gray Market Imports Measure

WASHINGTON — Discount industry leaders urged Congress to give top priority to pending legislation protecting U.S. retailers and consumers from a court-ordered ban on "parallel imports."

Testifying before the Senate Subcommittee on International Trade, K mart trademark attorney James Tuttle warned that new restrictions on "gray market" imports will encourage resale price maintenance activities by foreign manufacturers and shutter "the only real competitive window to help keep prices down" in this country.

In contrast, representatives of anti-gray market foreign manufacturers told Congress that the price issue is a "red herring," and retailers selling parallel imports are deceiving consumers.

"The plain fact is that consumers buying gray market products are not getting what they believe they are buying—the quality, integrity, and service that the trademark represents," Charles of the Ritz president Robert Miller charged.

At the center of the dispute: legislation introduced last July by Sen. John Chafee (R-RI) to reverse a Federal appeals court ruling which invalidated long-standing U.S. Customs Service regulations permitting unauthorized parallel imports of an estimated $6 billion worth of brand-name foreign merchandise annually.

Although that decision is still subject to appeal to the U.S. Supreme Court, discount industry officials told Congress that if it stands Americans will be forced to pay sharply higher prices for many foreign-made goods.

Testifying on behalf of the Association of General Merchandise Chains, Tuttle told the subcommittee that "on average" K mart "offers discounts of 30% to 50% on parallel imports wherever possible."

In separate testimony, AGMC president Edward Borda maintained that the availability of gray market imports prevents multinational firms from "segmenting the

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Buyers Head to APAA Show To Tune-up Auto Basics —page 57

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Bradlees Opens 2, Unveils Remodeling

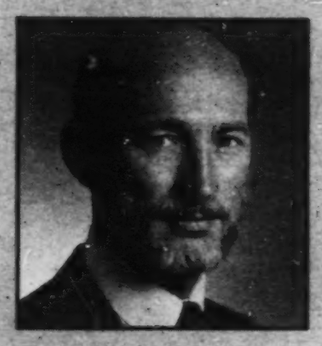
BOSTON, Mass. — Bradlees Department Stores, a division of Stop & Shop, recently opened two new stores and unveiled a renovated version at two other locations as part of its ongoing turnaround strategy .

The two new stores debuted in Plaistow, N. H., and Middletown, N.Y., on August 7 with traditional ribbon-cutting ceremonies.

Robert Peacock, senior vice president, christened the 72,000-sq.-ft. Plainstow store, which will be managed by Stanley Bleczinski. James Folino, vp, director of stores, opened the 80,000-sq.-ft. Middletown store, which will be managed by Don Newcomb.

On the same day, two renovated stores in Pittsfield, Mass., (75,700 sq. ft.) and Danbury, Conn., (89,900 sq. ft.) were unveiled. According to Bradlees' chairman and chief executive officer Harold Frank, both stores offer wider aisles, more elaborate displays and a new Petite Fashions department, among other changes.

Bradlees Names Parker to New Post



Michael F. Parker

BOSTON — Bradlees has created a new position as part of the chain's ongoing efforts to improve profitability and also remain price competitive.

Michael F. Parker, formerly of Mervyn's, recently joined the discount chain as vice president, merchandise planning and allocation, a new position.

His chief task will be to develop an organizational structure to plan and forecast store inventories. Parker will report to George Granoff, executive vice president of merchandising.

The new spot was created so that Bradlees can get better control of merchandise flow, a company spokesman said. Once goods are bought, he explained, Parker will analyze inventories and decide what amounts to ship to which stores.

The appointment of Parker to handle merchandise flow supports Bradlees' recent move to lower pricing. Last summer, the chain shifted to an everyday low price positioning on basic and commodity items and increased promotions in an effort to rescue the company's eroding market share.

The change in course dramatically cut into profits as the chain ended 1985 with earnings down by 60%. At the Stop & Shop annual meeting chairman Avram Goldbeg said the discount division would not turn a profit in the first quarter of this year. However, he said the chain will also stick to its competitive pricing which includes increased promotions and selected everyday low prices.

Parker's role of forecasting inventory levels is expected to "maximize profits" under the new pricing structure.

Before joining Bradlees, Parker served as vice president, merchandise distribution at Mervyn's. He has also worked as director, financial planning and analysis for Dayton's department stores and manager, financial planning for Target.

The addition of Parker's post follows closely the chain's decision not to replace Harold Kohn, who resigned as president July 1. Five senior vice presidents, including Granoff, now report directly to the company chairman, Harold Frank.

Ward, Toys 'R' Us Agree To Joint Selling Venture

CHICAGO — In what could promise to be the first of a round of joint occupancy moves, Montgomery Ward has tapped toy specialist Toys "R" Us to share selling floor space in a store due to open this October.

This joint venture will open in Ward's 170,000- sq.-ft. Gaithersburg, Md., store.

A Ward spokesman said no firm plans have been made with the toy retailer to share other stores, but TRU president Norman Ricken apparently likes the idea. He said the toy chain would like to share other locations with Ward on a long-term basis.

The two stores will be operated independently but through close proximity are intended to complement each other.

Ward will not stock toys in its assortment, the spokesman said. However, TRU will not be asked to drop consumer

(Continued on page 106)

Wilson Finds Smaller Better

Store Execs Buy Chain from Zale

IRVING, Texas — O. G. Wilson's top executives, through a new company, have purchased the showroom chain and plan to focus its future growth on small mall units in the Greater Texas and Louisiana Area where the current eight stores are located.

The decision of the newly formed parent company, By Land and Sea Distributors Inc., (BLBSD), marks a return to O. G. Wilson's original marketing concept of spotting 15,000-sq.-ft. to 20,000-sq.-ft. showrooms in high traffic malls, rather than operating large 50,000-sq.-ft. plus freestanding units that are typical of most showroom chains.

BLBSD purchased the assets of the eight stores, along with the inventory of four other units that are being liquidated, for an undisclosed amount from its former parent, Zale. A credit line of about $5 million from the Citicorp Industrial Credit Corp. was used for the purchase and to fund BLBSD's continuing operations.

BLBSD was set up by O. G. Wilson's two top executives, Michael Kryder, now chairman and chief executive officer, and Dan Smith, now senior vice president, general merchandise manager, who together own 95% of the stock. The remaining shares are held by Jim Ory, vp, operations; Bill LaBruyere, vp, jewelry; Cynthia Vandament, vp, controller, and the managers of the eight showrooms.

BLBSD will retain O. G. Wilson's marketing position of "a specialty regional retailer in which jewelry accounts for about 40% of the mix and non-

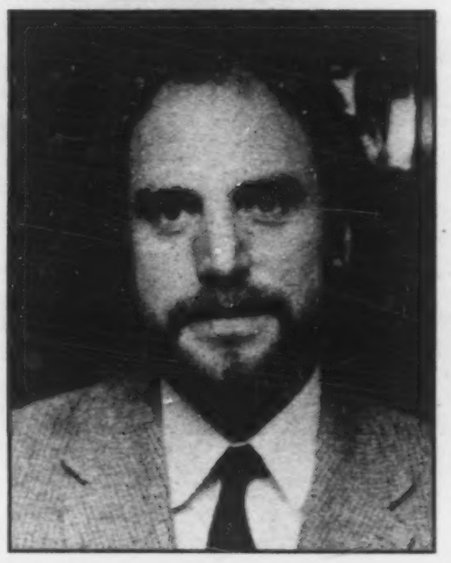
(Continued on page 104)

DSN Names Exec Editor

NEW YORK — Iris S. Rosenberg, editor of *Discount Store News*, has announced the appointment of Tony Lisanti to the position of executive editor of the "newspaper of discount retailing," which is published by Lebhar-Friedman Inc.

Lisanti, who will be responsible for day-to-day operations of *DSN*'s editorial department, has over 14 years experience in editorial management.

Most recently, Lisanti was executive editor of *Restaurant Business* magazine.



Tony Lisanti

Domestics Shop Areas Debut

Shorter runs and mini-gondolas create shop areas within the new domestics department unveiled in Jamesway's latest prototype store in Peekskill, N.Y. The chain also is dressing up standard fixtures, such as this towel wall which sports a lighted grid valance. New orange and white drop tables hold promotional and seasonal goods, such as beach towels. See story page 13.

QUIZ

The DSN Quiz, testing your knowledge of news and trends in discount retailing covered in the previous two issues, appears on this page monthly. Check your answers with the key on page 104.

1. What division is Gee Bee selling?
a) sporting goods;
b) supermarket;
c) bakery.

2. What service will Zayre offer in new departments opening at two of the chain's Chicago stores?
a) medical care;
b) financial planning;
c) advice on dating etiquette.

3. Who was recently named administrative head of the National Association of Catalog Showroom Merchandisers?
a) Marion Baker;
b) David Byrne;
c) Teddy Ruxpin.

4. If the the merger of May Department Stores and Associated Dry Goods is approved by shareholders, Venture and Caldor will operate:
a) in tandem, with a shared buying staff;
b) separately;
c) under a newly formed division.

5. To curb sales of "gray market" goods, the Reagan Administration is considering:
a) a moratorium on mail-in rebates that require foreign stamps;
b) a U.S. Naval blockade of American ports;
c) point-of-sale "warning" labels.

6. Whose invasion promises to stir short-term turmoil in the previously stable Philadelphia market?
a) Caldor and Bradlees;
b) Hills and Pamida;
c) McDonald's and Burger King.

7. The Wholesale Club's new stores in the Minneapolis/St. Paul, and Columbus, Ohio, markets will increase the chain's total store count to:
a) 11;
b) 6;
c) 34.

8. The discount industry's Total Systems Committee (TSC) was created to:
a) study direct product profitability;
b) oversee subcommittees;
c) evaluate quick response.

9. What is a Marshalls pilot program offering prospective store level employees?
a) free coffee during breaks;
b) early retirement;
c) tuition assistance.

10. Woolworth is on an expansion track, aiming to open:
a) 475 variety stores;
b) 260 convenience stores;
c) 650 stores in 28 specialty formats.

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ELECTRONIC RETAILING

Signals Glow Brightly For Electronic Buying

ARTHUR MARKOWITZ

Electronic retailing—the use of computers, TVs and other electronic devices in homes, shopping centers and even stores to sell merchandise—has a bright future despite the upheavals and marketing changes that have marked the industry's brief history.

That upbeat outlook is evident from three recent market studies, which conservatively project electronic retailing as a $3 billion to $17 billion industry by the end of the decade.

Over the past half year, the industry has witnessed such rapid changes as the demise of videotex pioneers like Gateway and Viewtron and the explosive growth of a major new segment, cable TV retailing, and its innovative founding company, Home Shopping Network.

The changes that have occurred, however, haven't outpaced the broad insights of the three studies nor the in-depth profile of the major players detailed in one of the reports.

Touche Ross & Co. has been following electronic shopping for a number of years and holds annual conferences that attract industry leaders as both speakers and attendees. Thomas Rauh, the company's San Francisco-based partner who tracks the industry, sees electronic shopping terminals in home, stores and public access locations like malls and airports generating between $3 billion and $5 billion in sales by 1990.

His latest revised brief outline of the industry, *Electronic Shopping '86,* has lowered the number of such transactional selling terminals in use by the end of the decade from 50,000 to 30,000 due to a slower consumer acceptance of shopping machines. He said consumer use of informational terminals, which just provide information on goods and services but don't transact a sale, has been "stronger than anticipated" and 70,000 terminals (up from 50,000) will be in use by 1990.

The Washington, D.C.-based Naisbitt Group has issued a number of retailing reports. Within the report *Trends in Retailing,* a capsule four-page electronic retailing section stated the industry had $285 million in sales last year and, using U.S. Department of Commerce forecasts, projects volume could reach $17 billion by 1990. "More than 100 companies now provide such shopping systems and services," the report stated.

Electronic Retailing, an in-depth 168-page study from Knowledge Industry Publications in White Plains, N.Y., projects the public access system portion of the industry, which uses mall kiosks and in-store terminals, will grow faster than the home shopping systems segment which uses computers and/or TV systems.

The study said the reason for this was the current greater availability of public access systems and the need for reduced costs for installation of a computer home shopping system. The study forecast that successful cable TV retailing requires marketers to "offer very specialized goods that are heavily discounted and aren't readily available in stores."

That insight sounds a lot like the closeout merchandising that Home Shopping Network has used to become a $100 million plus company in less than a year.

You can't follow a game unless you know the players. *Electronic Retailing* offers just that by profiling the industry's structure and over two dozen major firms.

College Students Rank Discounters No. 4 on Shopping Lists: Survey

NEW YORK — Discounters interested in selling to college students in the sought after 18- to 22-year-old age bracket should consider the findings of a new study called Student Watch.

The report stated that the nation's 12.5 billion college student population, wielding $20 billion in annual discretionary income, prefer to shop other types of retail outlets rather than discounters.

According to the study, today's student population carried bank credit cards and used them, had checking accounts and spent most of their available money on clothes.

Students preferred to shop department stores, clothing retailers and college stores, instead of discounters.

Discount stores attracted a median amount of only $76 per year per student, which makes them fourth among retail locations students shopped.

This figure compares to annual median expenditures of $249 at college stores, $166 at clothing stores, and $130 at department stores.

Convenience of location and depth of selection were the two most frequently cited reasons for preferring one retailer from another, according to the study.

The problem with discounters certainly wasn't the category of merchandise the chains offered, as everything students had been spending those discretionary dollars on was available at most discount stores.

Clothing, H & B A, records, tapes, snack foods, books, magazines and greeting cards comprised a major portion of the college students' purchases.

Clothing represented the overall highest ticket purchase, with the median annual expenditure of $187 each.

H & B A was the second most common purchase at $54 per student, annually.

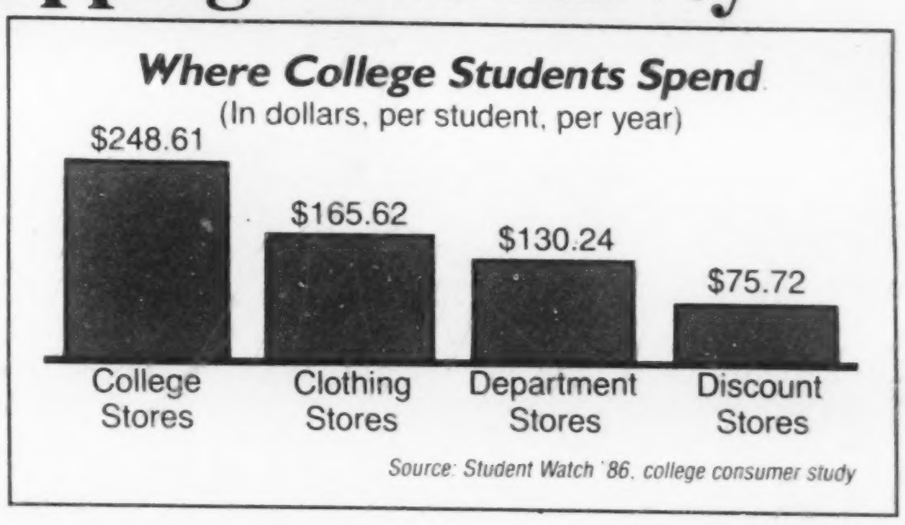
Records and tapes drew $38, as might be expected from a population in which 65% own a stereo system and 63% own a personal radio/cassette player.

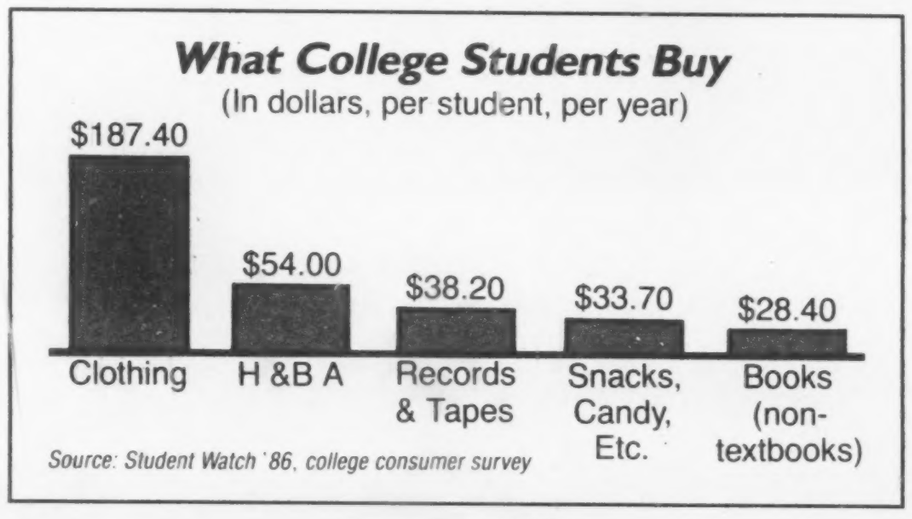
Snacks, candy and gum represented about $34 of yearly expenses.

The local college store was the first place students went to spend their money, a median of $248 annually. Clothing stores drew $166, while department store purchases represented $130 per year.

Beyond the $236 median amount spent by each student for books every year, 78% said they like to look around for recreational books—split between fiction and non-fiction selections. They shopped mostly at independent and chain book stores as opposed to the college store or a discounter.

Two hundred people at each of 50 institutions across the country were asked to fill out a 29-page survey, with nearly a 50% response rate (4,349 students participated.)





Newmark Profits in Tough Market

(Continued from page 3)

market share based on price.

The chain has used a formula to select Newmark & Lewis store locations so that one store doesn't compete against another. When the Hicksville, N.Y., store was opened it took away 18% to 20% of sales from a nearby Syosset store. Similarly, Lewis believed the new store on 45th Street in Manhattan that was opened July 31 in a former Lafayette/Circuit City location, is as close as allowable to an existing store on 27th Street.

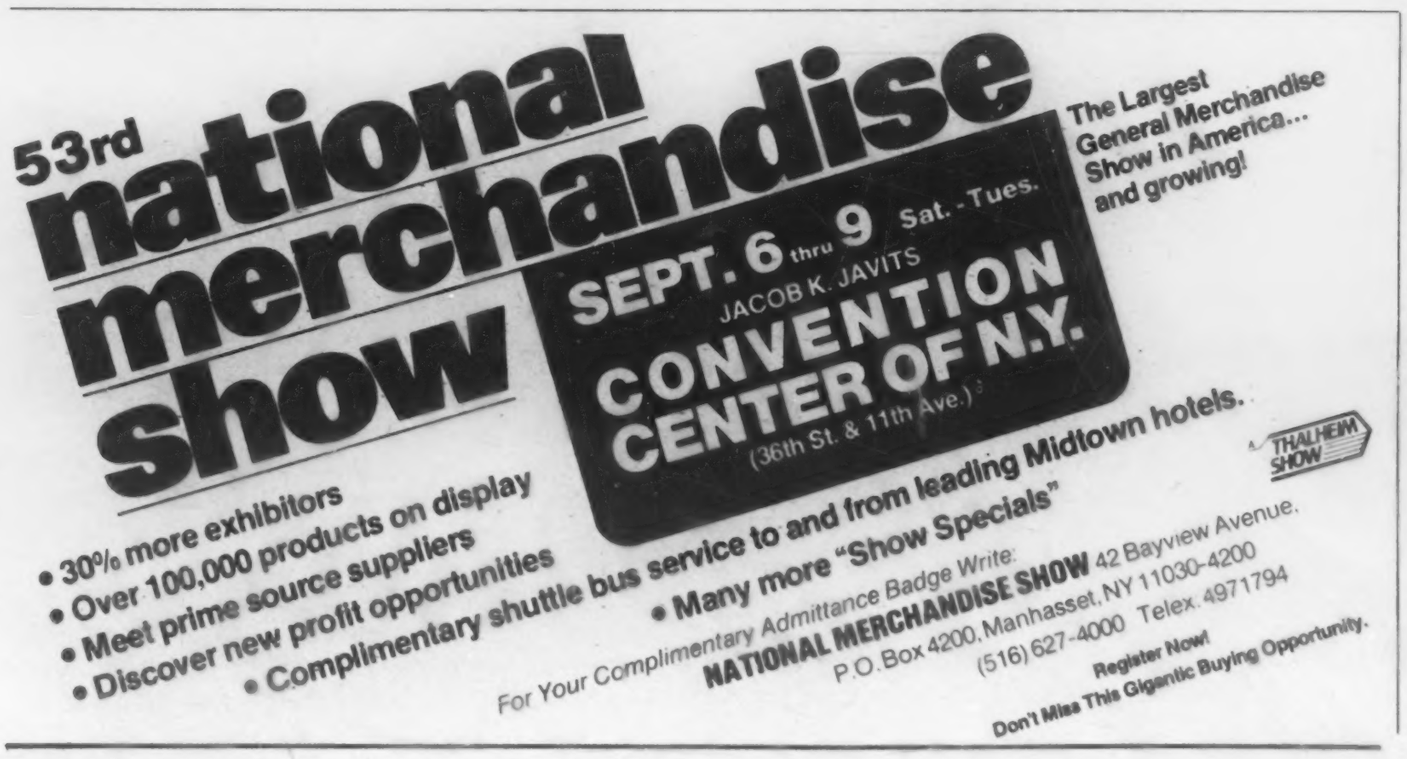
As part of the expansion into Westchester, the chain will experiment with its own version of a "super store" in Peekskill, where rents are far below costs in Manhattan and Connecticut markets. The 25,000-sq.-ft. store, which contrasts sharply with other stores that average less than 10,000 sq. ft., will have nearly double the 5,000 sku's of a typical store. "It is going to look more beautiful and the displays are going to be significantly improved. If I [now] run 12 models of RCA, I'm going up to 20. If we carry the Hotpoint line in refrigeration up to 30 sku's, I'm going up to 50," said Lewis.

The super store experiment will also create space for traffic appliances, the chain's first attempt to merchandise name brand toasters, mixers, microwave accessories and blenders. Lewis said the new product category will give shoppers another reason to shop his stores and give his salesmen an opportunity to move them up to higher margin merchandise.

If the experiment is successful, the super store concept will be used in the chain's expansion into upstate New York markets like Middletown, Poughkeepsie and Kingston, where store leases are more affordable. A new warehouse just opened in the Bronx will serve stores outside Metropolitan New York and in Southern Connecticut.

Newmark & Lewis is exporting to new markets a strategy that has depended on lowest prices on the lower end of the merchandise spectrum to generate store traffic so that salesmen have an opportunity to trade customers up to higher-margin units with more features. Lewis said the emphasis on price competition at the lower end will always be a part of selling consumer electronics in the New York market because of, not just big chain competition, but also because of the thousands of independents selling similar merchandise.

To buttress the chain's emphasis on higher end, feature packed merchandise, the chain has joined the National Appliance & Television Merchandisers buying association of 11 dealers which makes major buys from Hitachi, Zenith, RCA, Sanyo, Sansui, Pioneer and JVC under an exclusive agreement. That means Newmark & Lewis is able to offer specific models from its vendors exclusively in the markets it serves.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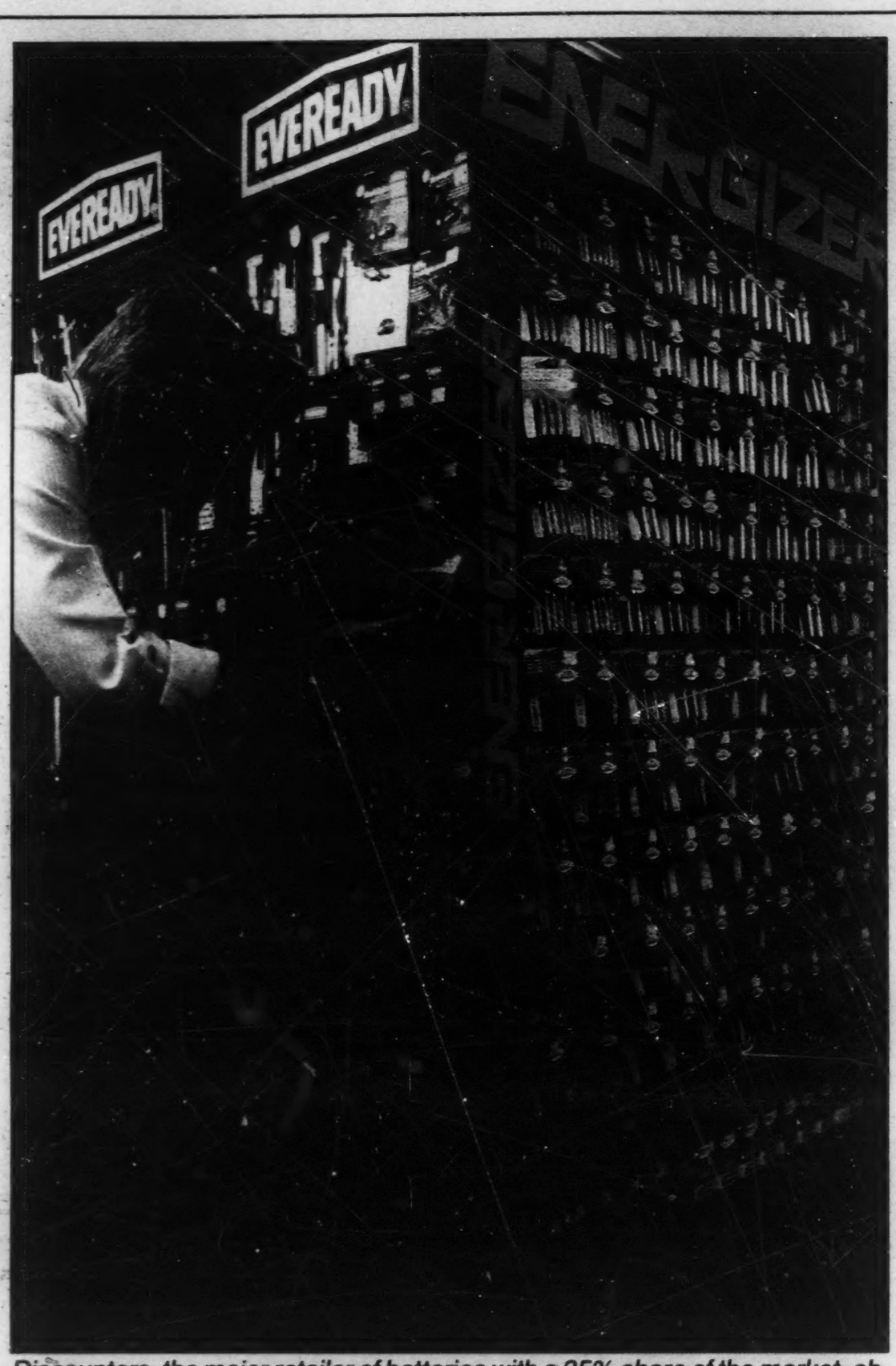
Battery Report



Discounters, the major retailer of batteries with a 35% share of the market, obtain about 70% of their battery sales at everyday price and the remaining volume at promotional prices. (DSN photo)

Increased Usage Spurs 5% to 15% Growth in Chain Battery Sales

Nationwide DSN Report

Discount stores are the heavyweight retailers of batteries, but chains recognize that there is little in the way of merchandising that they can do to boost volume.

Growth in sales—expected to be between 5% and 15%—is powered by increased consumer usage of items that require batteries, rather than innovative merchandising or promotional efforts by discounters.

Still, discounters have taken every opportunity they have to sell batteries, as the average 35% gross margin and average eight turns annually produce high gross profit dollars. This merchandising involves offering all the national brands along with secondary lines and even private label goods, spotting in-depth displays in every department that includes battery-powered products and at checkouts and regularly featuring goods in ads and in in-store promotions.

The marketing bottom line, however, remains the same: Batteries are a commodity product and consumers buy them as needed. Changes in the ratio among the types sold reflect the power needs of consumers who are more inclined to use heavy duty batteries because of their longer life than general purpose.

The merchandiser at one top discounter acknowledged that customers buy the batteries they see in the department they're shopping. His chain carries a different brand in the hardware, auto, consumer electronics and sporting goods sections and a mix of lines, including a private label offering, at the checkout.

A manufacturer executive added that battery shoppers will rarely walk out of a store if a preferred brand isn't available. As long as the battery type is available from one the three major national brands, a sale is highly likely.

All discounters merchandise alkaline batteries, followed by heavy duty types and then general purpose. Rechargeable batteries are growing in acceptance, with about 75% of chains stocking this type.

While a discounter has little merchandising influence on a sale, this doesn't mean that there isn't any chance for impulse sales. Rather,

(Continued on page 30)

Retail Battery Market Growth

Year	Units (in Millions)	Dollars (in Millions)
1980	1,471	$1,022
1981	1,571	1,237
1982	1,684	1,415
1983	1,786	1,596
1984	1,900	1,780
1985	2,010	1,980
1986*	2,120	2,170
1987*	2,240	2,370
1988*	2,360	2,600

*projected
Source: Rayovac, NFO Consumer Purchase Diary

Manufacturers Vie for Market Share with Upgraded Batteries

Nationwide DSN Report

Manufacturers are making major changes in their battery marketing in an effort to charge up their share of this $2 billion plus retail business.

The most recent major change was Eastman Kodak's entry into the battery business with a full line of products, including a lithium type that the company said was the first offered in the consumer market.

Kodak's move has peaked the interest of other manufacturers in lithium batteries. Toshiba plans to introduce a line of lithium batteries at the National Hardware Show, and other supplies are eventually expected to add this type of power cell to their lines.

Previously, two major national brands, Rayovac, followed by Eveready, had introduced a multi-pack targeted for heavy users of batteries. That description, however, seems to apply to most consumers as the average household uses about 28 batteries a year, according to an Eveready market study.

Duracell, the third major national line, has changed the packaging of its batteries from a steel can to a thinner and stronger plastic jacket. This move allowed the company "to add 15% more 'active ingredients' to the battery, boosting its life by 30%," said John Bergman, vice president of communications.

The goal of the various manufacturer moves is to stir up the battery market, which has tended to be highly stable, with sales gains reflecting the increased usage due to the greater number of products that use batteries.

Kodak's entry into the battery business could cause earthquakes because of the name's high recognition among consumers and nationwide distribution of the company's core photographic products in discount stores, supermarkets, drug stores and photo shops.

Martin Adams, vice president of Kodak's Ultra Technologies, noted that "90% of all batteries are sold through the same outlets as Kodak film products."

He acknowledged that the company's major challenge is to get wide distribution of its batteries and "to demonstrate that the new product will move off retailers' shelves." The company began shipping goods last month and expects to fill the pipelines by the end of September, at which time consumer advertising will begin and co-op dollars will be available to retailers.

A number of major discounters reportedly are planning to test the line in the photo department, banking on the Kodak tie-in with film to help sell the batteries. Adams said in the fourth quarter the company would spend as much on battery advertising as on film, but declined to give a figure.

As for the multipack marketing strategy, Rayovac's sales of these items "have been very good," said Mike Plautz, director of marketing. But he declined to give any figures, noting only that this marketing "has made more of an impact than anything else in the battery business since they were put on blisterpack cards about 15 years ago."

The marketing moves undertaken by the "Big Three" manufacturers, along with Kodak's entry into the busi-

(Continued on page 30)

1985 Retail Battery Sales

Month	Per Cent	Dollars (in Millions)
Jan.	8.9%	$182
Feb.	5.8	119
March	6.3	129
April	6.5	132
May	6.1	122
June	6.7	136
July	7.4	151
Aug.	7.2	146
Sept.	7.1	142
Oct.	9.1	186
Nov.	9.7	198
Dec.	19.2	391

Discounters Dominate Battery Market

Retailer	1980	1985
Discount Stores	32%	35%
Supermarkets	24	26
Drug Stores	17	18
Variety/Department Stores	10	5
Hardware/Home Centers	6	6
Appliance Specialty Stores	5	3
All Others	6	7

Source: Rayovac, NFO Consumer Purchase Diary

Increased Usage Powers 5% to 15% Annual Growth in Battery Sales

(Continued from page 27)
more than half of the purchases are made on an impulse buy as a shopper sees a display or promotion, remembers that the batteries in a toy, flashlight or radio is weak, and buys a fresh package.

The key to maximizing sales opportunity, therefore, is to maximize batteries exposure to the consumer. That's why among discounters, checkouts are the No. 1 location for batteries, with 86% of the chains surveyed in one study displaying this item at the front end. More than half of the the stations at the checkout feature batteries among the items displayed there.

As for the percentage for specific departments, batteries were displayed in photo, 78%, consumer electronics, 74%, hardware, 67% and sporting goods, 59%, with lesser percentages for other sections.

The day-in, day-out full margin merchandising of batteries, on the average, accounts for about 70% of a discounter's sales of this category.

Discounters' battery merchandising involves more than merely exposing the goods on spinner racks or pegboard gondolas in various departments and at the checkout. Merchandising also includes regular promotions.

On the average, discounters promote batteries monthly in ads and feature in-store promotions every other month. On promotion, discounters drop the gross margin for batteries 10 percentage points from the everyday markup to an average of 25%.

The high turn and tonnage volume that discounters have achieved in their battery business has resulted in one problem targeted by one chain in three: stock shortages. But the willingness of consumers to buy a needed battery type as long as the discounter has that item from a national manufacturer or else a sharp price for a secondary line or private label offering means that the store can expect to make the sale.

Where Discount Stores Sell Batteries

Store Location	Percentage
Checkout	86%
Photo/Camera	78
Consumer Electronics	74
Hardware	67
Sporting Goods	59
Toys	49
Separate Battery Area	37
Housewares	14
H&BA	8
All Others	20

Source: Rayovac, NFO Consumer Purchase Diary

1985 Retail Battery Market by Type/Size

Size	General Purpose	Heavy Duty	Alkaline	Total
D	39%	29%	21%	27%
C	26	22	19	20
AA	23	37	45	38
AAA	1	—	6	5
9V	8	9	9	8
941	3	3	—	2

Source: Rayovac, NFO Consumer Purchase Diary

Retail Battery Market by Type (% and Units)

Type	1985 Per Cent	1985 Units (in Millions)	1986 Per Cent	1986 Units (in Millions)
Alkaline	54%	1,090	59%	1,390
Heavy Duty	25	500	27	640
General Purpose	21	420	14	340

* projected

Source: Rayovac, NFO Consumer Purchase Diary

Manufacturers Vie for Battery Market Share

(Continued from page 27)
ness, reflect a basic fact: Major increases in a manufacturer's share of market will have to come at the expense of another producer, rather than any explosive growth in the overall battery business.

Batteries' unit growth through 1988 is expected to average just under 6% annually, while the increase in dollars in the same is projected at just under 10% annually.

This steady increase has resulted in manufacturers eyeing each others share of market and acting to get discounters and other retailers to carry their product at the expense of the competition. Discounters and other retailers, in turn, have tried to cover all of the bases by offering as broad a selection of brands to their shoppers as possible, with products from the Big Three as the core offering.

Battery marketing—particularly for the major national brands—has become more complex as secondary lines like Panasonic, Hitachi, Maxell, Memorex and Toshiba have established market credibility.

These brand names first gained consumer acceptance as manufacturers of consumer electronics, the same type of items that often use batteries. Now these companies are trying to build on their reputation by offering not just the CE item, but also the battery that powers it.

While these manufacturers are attacking the battery market from the consumer electronics end, often by including their battery with the CE item, Kodak is trying to break in through the photo end.

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Essential Products for the DIYer

Crawford understands the impulse nature of DIY sales. That's why we've designed our packaging and products to be as tempting to the DIYer as they are useful. Our tool organizers, storage hooks, sawhorse brackets and legs, shelf brackets and lumber connectors offer durabiility and convenience to ensure customer satisfaction.

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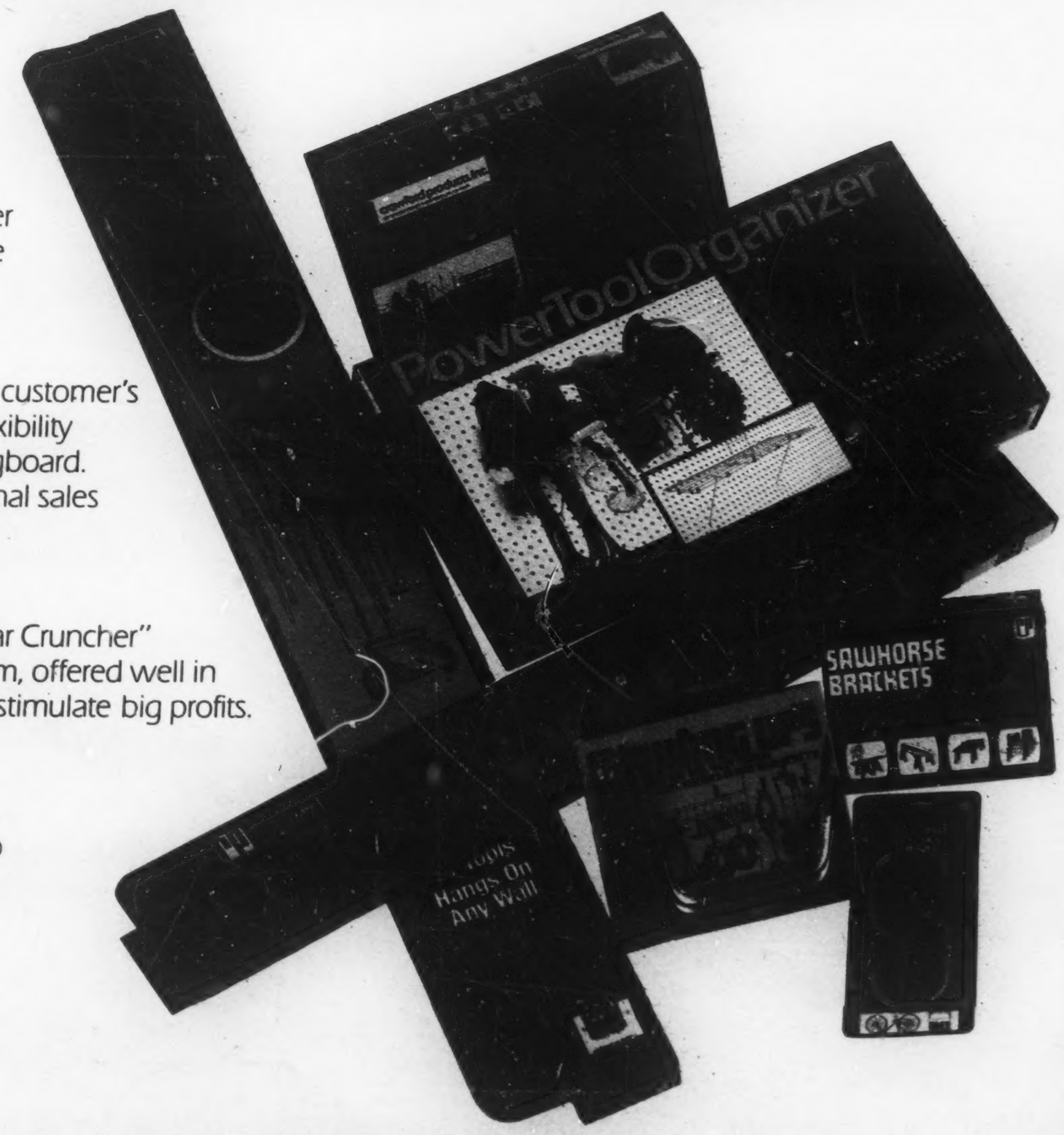

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BATTERY REPORT

Upgraded Flashlight Assortment Brightens Discount Margins

Flashlights Lead Product Battery Usage

Item	1980	1985
Radios	NA	18%
Radio Cassettes	NA	5
Cassette Recorders	NA	9
Flashlights	21	19
Toys/Games	20	18
Photo	9	9
Clock	3	4
Calculator	6	3
Smoke Detector	2	3
Lanterns	1	2
All Others	10	10

NA—Not Available Source: Rayovac, NPD Consumer Purchase Diary

Flashlights rank second in consumer battery useage. K mart, Southfield, Mich., takes advantage of tie-in sales by cross merchandising goods on a spinner rack. (DSN photo)

Nationwide DSN Report

The flashlight market has undergone a major step-up in product quality and price in the last few years that augurs well for discounters looking to boost the total ticket generated by their stores.

As Kevin Garrity, vice president marketing, Garrity Industries, explained: "Everyone in the industry has upgraded their lights and packaging. Five years ago, flashlights wouldn't sell for more than $6.99, but now they go for up to $10 to $20."

Mike Plautz, director of marketing, Rayovac, added: "All the action has gone to brighter, more durable, better looking lights and the marketplace has been exploding."

A two year comparison of sales shows what's happened to the flashlight market, and especially to what's called the premium segment, items priced $10 and above that feature better packaging, halogen lights, etc.

In 1983, flashlight sales were $97 million, with the premium portion accounting for $35 million, Plautz said. Last year, the total flashlight market reached $138 million in volume, a 42.3% increase. Premium lights, meanwhile, jumped 122.9% in sales to $78 million.

While premium sales took off, low end and middle priced items declined slightly, with medium priced flashlights the weakest link as they tend to look and perform like lower priced goods, he explained.

Action Remains Good

While sales are strong for premium flashlights, Garrity noted that action remains good for low end disposables. "The trend will continue because people are willing to pay more for better flashlights and stick with pick up disposables as impulse items," he added.

The impact of all this on discounters is simple: Discounters sell about 35% of all flashlights, and recognizing the changed market are now giving this merchandise more space. "It's just a category that was ignored for a while," Plautz said.

Garrity spotted hardware and sporting goods as the two departments with most of the flashlight action, but "they should be shown more often in auto sections and auto specialty stores."

The step-up in flashlights is illustrated by the items carried in a K mart hardware section. The lead in, standard metal flashlight goes for $4.56. But the lowest priced item was a disposable penlight at $1.66.

The premium segment, however, included a floatable halogen lantern, $13.96, a three-way fluorescent flashlight, $14.96, and a five-way fluorescent light, $17.88.

"Discounters give flashlights more space than do other retailers. While the footage has remained the same, the assortment has changed to more low end and disposable, more high end premium and less basic and middle priced goods," Garrity noted.

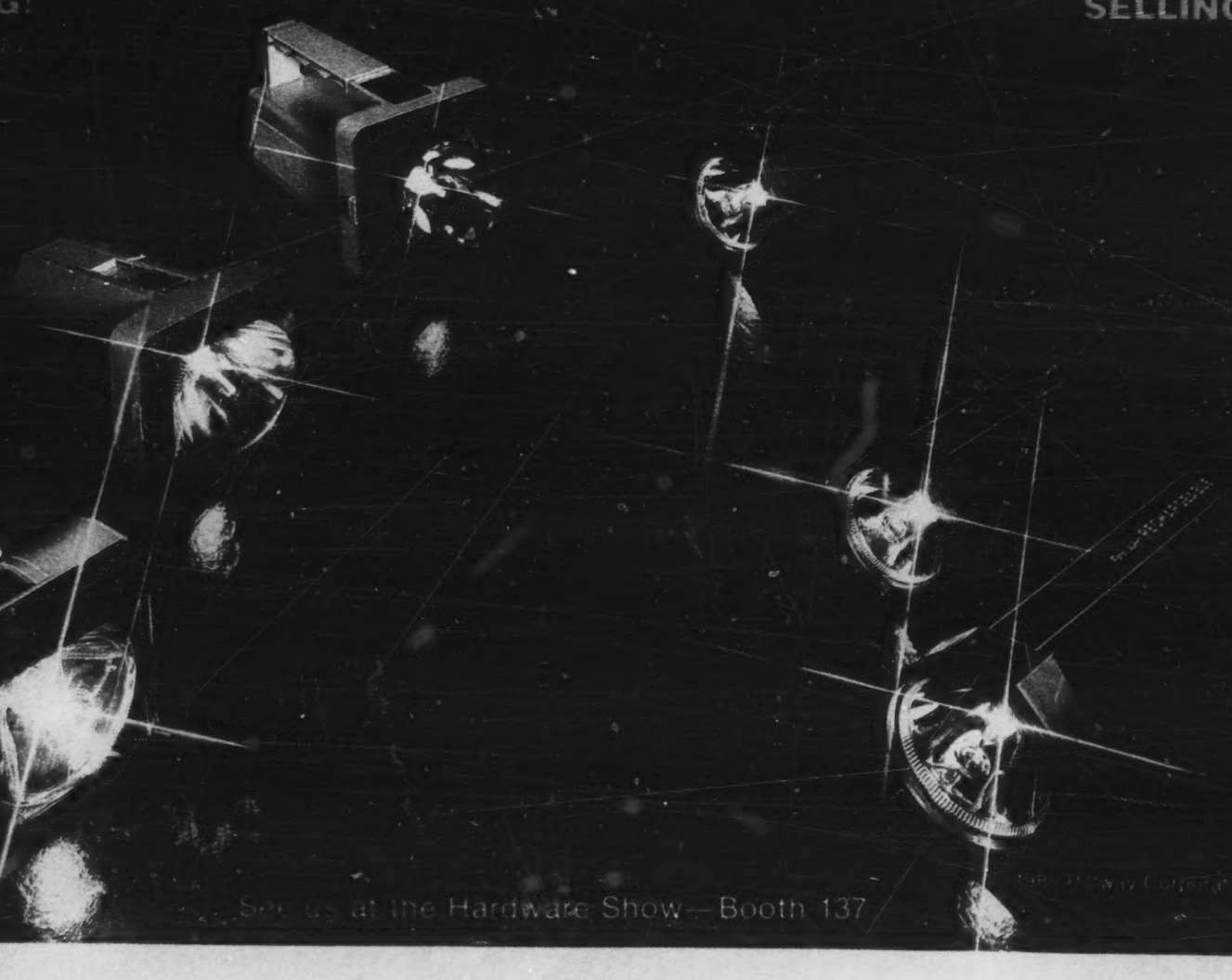
Now First Alert is the No. 1 brand in RECHARGEABLE LIGHTS!

- Hottest-selling brand in the hot new rechargeable light category — that's First Alert!
- Broadest range of products! With 3 lantern-style rechargeable lights for gift-giving seasons, plus 3 rechargeable flashlights for everyday selling, we're creating year-round sales in the category!
- New Car/Home Rechargeable Flashlight helps expand the category. Gives you more selling opportunities!
- No. 1 in TV advertising and national magazine advertising.
- Best product features! First Alert offers super-bright KRYPTON Bulb, direct plug-in, unique retractable power plug, swivel head on Model RL101. Only First Alert offers all these features.
- Contact your First Alert representative to help plan-o-gram your rechargeable lights for maximum sales and profits. Go with the winner. First Alert — the No. 1 brand in rechargeable lights!

*Source: An Independent Nationwide Store Audit Survey 2nd half 1985

3 KRYPTON RECHARGEABLES FOR GIVING!

3 KRYPTON RECHARGEABLES FOR SELLING!



See us at the Hardware Show—Booth 137

HARDWARE

Outlook for Hardware Dept. Sales Brightens for Second Half

By ARNOLD REINHARD
Vice President, Sales and Marketing, Schreiber Co.

Full liners' hardware sales should improve in the latter half of the year after a rocky second quarter that saw growth dip into the single digits.

Second half growth could bounce back to the 10% to 12% range that the department enjoyed in 1985 and during this year's first quarter.

Residual consumer demand is one reason for the brighter outlook.

Consumers put off second quarter hardware purchases as Mother Nature stymied do-it-yourself projects with unusual weather in many parts of the country.

Some regions had too much rain in the second quarter, while droughts plagued other parts of the country. Both extremes discouraged outdoor work and consequently shrank hardware sales.

Discounters, however, are not planning to wait contentedly for a break to come in the weather. Instead, they will promote more heavily than usual during the third and fourth quarters in response to the weak second quarter sales figures.

Promotional merchandise in the second half will include power tools, hand tools and batteries.

As usual, discount stores will promote paint heavily in the third quarter, when cooler weather makes outdoor projects more attractive.

Rebates will continue to play a part in the promotions. Rebates sell paint but many in the industry remain doubtful about whether the offers move hardware.

"Your choice" promotions, with grab bags of products, will continue to spawn multiple tool purchases but hitting a promotional price point is becoming more difficult in hand tools.

The reason is that Taiwanese manufacturers have raised wholesale hand tool prices, sometimes by as much as 25%.

The makers in Taiwan have been very busy and the markups are a matter of supply and demand.

However, domestic and branded hand tools continued to dominate the business. Stanley maintains a strong presence in hand tools, with eight of the ten leading offerings at Schreiber Co. during the second quarter.

In the Product Movement Audit, the Stanley 12-ft. Power Rule generated more dollar sales than any other hand tool on our list with total movement of $7,212.80.

In power tools, Oriental manufacturers have not invaded the full line discount market.

Makita, an Asian maker, has been giving Black & Decker some competition in upper-end power tools at home centers, but appeared unlikely to enter the discount market any time soon. Makita price points are just too high.

Black & Decker occupied the top 31 spots in power tool dollar sales in our business.

The B & D 7308 7 ¼-in. saw moved into first place in dollar sales from second a year ago.

The second quarter winner in power tools last year, the 9330 Dustbuster, has dropped to ninth this time around, reflecting intense price competition in that category.

Batteries Stay Charged

Batteries remain a charged category, with retailers reporting that they sell twice as quickly when placed in the front end as back in the departments.

Eveready and Duracell continue to jockey for the number one spot in sales.

Eveready took top honors for the second quarter this year, while last year it was Duracell in first place for the quarter.

In both cases, the winner was a four-pack of AA alkaline batteries.

The average retail of the category winner moved only slightly, from $2.99 last year for Duracell to $3.00 this time for the Eveready pack.

Batteries provided more turns than most hardware categories, and the same is true for a number of light DIY electrical products, including switches, receptacles, multi-outlets, dimmers and extension cords.

As in previous years, caulks and sealants look good for the third quarter, the time when customers traditionally tackle winterizing chores.

Oil-Based Caulks

The market for oil-based caulks has remained strong because such products have been around for a while and are familiar to many consumers.

In fact, oil-based caulks have continued to sell even though silicone and latex caulks are available at lower price points. Latex used to cost twice as much as oil-based.

The third quarter is usually strong in security hardware as well, with discounters selling plenty of locks for back-to-school.

Looking beyond this year, discount merchants need to remember the importance of convenience in their departments.

As home centers take an increasing share of the do-it-yourself business, discounters have shifted their assortments toward such consumables as batteries, bulbs, caulks, sealants, glues, paint and paint sundries.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
ELECTRICAL				
1	Epak Moc-6C Multi-Outlet	1,073	16.82	18,047.86
2	Card 03101 100' Org 16/2	750	14.50	10,875.00
3	Actn 95 60W 3-Pk IF Bulbs	6,756	1.09	7,364.04
4	Elec Moc 4C Multi-Outlet	384	15.02	5,767.68
5	Actn 97 100W 3-Pk IF Bulbs	4,797	1.09	5,228.73
6	Carl 4170 8½" CL Lamp	839	6.00	5,034.00
7	Wood 268 50' 16-3 Orng Rd	570	8.38	4,776.60
8	Wood 151 6' 18-2 Clamp Lt	971	4.86	4,719.06
9	Actn 96 75W 3-Pk IF Bulbs	4,240	1.09	4,621.60
10	Carl 03151 50' Orange 16/2	582	7.64	4,461.76
PAINT APPLICATIONS				
1	Woos B5090 9" RL CVR Latx	10,536	1.38	14,539.68
2	Padc 1050 9" Spatter Shld	2,532	4.26	10,786.32
3	Woos B5092 9" RL CVR Enml	6,120	1.68	10,281.60
4	Ezpt M103-A0-90 3 pc brush	6,480	1.55	10,044.00
5	Woos B3221 3" Better Brush	2,508	3.29	8,251.32
6	Woos B6921 9" Promo Kit	3,011	2.74	7,226.40
7	Padc 1027 Dlx Pad Paint	960	7.28	6,988.80
8	Ezpt One-9RS-90 Smooth	2,927	2.25	6,585.75
9	Woos B5094 3 pc Paint Kit	1,278	4.94	6,313.32
10	Padc 1082 8" Speed Brush	1,943	3.10	6,203.30
PAINTING TOOLS				
1	Hyde 13050 Razr Scr & Blades	4,500	1.26	5,670.00
2	Hyde 04850 Wall Scr 6" F	1,598	2.77	4,426.46
3	Hyde 04100 Putty Knife 1.5 F	2,955	1.46	4,314.30
4	Hyde 45810 Super Guide	1,210	3.47	4,198.70
5	Hyde 04150 Putty Knife 1.5 S	2,681	1.46	3,914.26
6	Hyde 13110 Replacement Blades	3,120	1.23	3,837.60
7	Hyde 04700 Wall Scr 4.5 F	1,600	2.26	3,616.00
8	Hyde 04400 Putty Knife 3" S	1,755	1.77	3,106.35
9	Hyde 45385 Hand Sand Kit	965	3.09	2,981.85
10	Hyde 13100 Razor Blades	1,009	2.40	2,018.00
PLUMBING				
1	Meld 1422 Super Plunger	1,943	3.26	6,334.18
2	Meld 3525 Shower Massage	330	17.21	5,679.30
3	Meld 1501 Basket Strainer	3,414	1.55	5,291.70
4	Meld 1600 Toilet Tank Kit	755	6.50	4,907.50
5	Meld 14206 Plunger 49021E	3,298	1.45	4,782.10
6	Meld 1603 Ballcock Brass	419	10.95	4,588.05
7	Meld 361 Guardsman W/Adj	551	7.48	4,121.48
8	Meld 1660 Survo-Flush Kit	684	5.97	4,083.48
9	Meld 18016 6' Fem x Fem	1,075	3.58	3,848.50
10	Meld 1601 Ballcock Plastic	800	4.48	3,584.00
ABRASIVES				
1	3M Co. 9002 Sandpaper Med	10,899	1.71	18,637.29
2	3M Co. 9003 Sandpaper Coarse	10,346	1.71	17,691.66
3	3M Co. 9005 Sandpaper Asst	9,458	1.71	16,173.18
4	3M Co. 8651 Dust Masks 5-pk	4,874	2.19	10,674.06
5	3M Co. 9038 Garnet Coarse	6,480	1.58	10,238.40
6	3M Co. 9001 Sandpaper Fine	5,510	1.71	9,422.10
7	3M Co. 9036 Garnet Fine	5,180	1.58	8,184.40
8	Intl St Wool 8 Pad	7,196	1.13	8,131.48
9	3M Co. 9000 Sandpaper XFine	4,750	1.71	8,122.50
10	3M Co. 9037 Garnet Med	5,122	1.53	7,836.66
SEALANTS				
1	Bord E701 Wood Glue 8 oz	6,326	1.81	11,450.06
2	Bord E702 Wood Glue 16 oz	2,687	3.09	8,302.83
3	Boyl 8596 Pl Wood 5 oz	3,984	1.54	6,135.36
4	Kraz G12CD Counter Disp	5,519	1.02	5,629.38
5	Bord E832 Wood Filler ½	3,432	1.61	5,525.52
6	Bord E650 Stixall 1 oz	2,544	2.02	5,138.88
7	Duro Supl Super Glue	4,269	1.02	4,354.38
8	Henk 43763 Wallsizing 40 oz	1,737	2.18	3,786.66
9	Bord E831 Wood Filler ¼	3,306	1.12	3,702.72
10	Bord E379 Elmer's Glue 8 oz	2,705	1.36	3,678.80

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
LOCKS				
1	Harlock T-700 US3 Entry Module	1,933	11.66	22,538.78
2	Harlock UR 700-M-DL US3 Entry	419	15.22	6,377.18
3	Master 1500D Comb Padlock	1,750	3.40	5,950.00
4	Harlock T-700-M-DL US5 Entry	473	12.04	5.694.92
5	Harlock T-200 US3 Bedroom Pb	602	7.06	4,250.12
6	Ideal SK85 Pneumatic Close	797	4.77	3,801.69
7	Harlock T-100 US3 Passage Pb	596	6.26	3,730.96
8	Master 1D Padlock 1¾"	549	6.05	3,321.45
9	Ideal SK600 Knob Lock	485	6.20	3,007.00
10	Master 22D Padlock 1½"	1,487	2.00	2,974.00
PAINT				
1	Luct 3057 White Gal	23,886	7.03	167,918.58
2	Luct 3081 White Gal	13,597	10.54	143,312.38
3	Luct 3090 Ceiling White	16,346	7.03	114,912.38
4	Luct 2360 White Gal	7,207	12.03	86,700.21
5	Luct 50 White Gal	4,196	14.69	61,639.24
6	Luct 2386 Ceiling White Gal	4,594	12.03	55,265.82
7	Luct 1699 White Gal	2,644	16.24	40,294.56
8	Luct 2329 Antique White Gal	2,303	12.03	27,705.09
9	Luct 1800 White Gal	1,591	15.90	25,296.90
10	Luct 1629 Antique White Gal	1,468	16.24	23,840.32
HAND TOOLS				
1	Stanley 33-212 12' Power Rule	980	7.36	7,212.80
2	Arrow T-50 Staple Gun Tack	411	16.97	6,974.67
3	Stanley 33-425 25' Tape Rule	476	13.57	6,459.32
4	Stanley 64-856 Screw Set 6 pc	702	7.59	5,328.18
5	Stanley 34-500 L. Tape 100'	417	12.00	5,004.00
6	Stanley 33-116 16' Power Rule	429	11.50	4,933.50
7	Stanley 10-099 Retract Knife	1,362	3.47	4,726.14
8	Stanley 11-921 Heavy Duty Blade	3,670	1.28	4,697.60
9	Stanley 33-320 20' Power Rule	337	12.39	4,175.43
10	Arrow T-55 Staple Gun Tack	297	13.70	4,068.90
BATTERIES				
1	Ever E91BP-4 AA Alk Batt	110,207	3.00	330,621.00
2	Ever E93BP-2 C Alk Batt	112,704	2.23	251,329.92
3	Ever E95BP-2 D Alk Batt	87,730	2.23	195,637.90
4	Dura MN1500B4 AA Size 4-Pk	55,476	3.07	170,311.32
5	Ever 522BP 9V Alk Batt	69,213	2.23	154,344.99
6	Dura MN1400B2 C Size 2-Pk	57,687	2.42	139,602.54
7	Ever E91BP-2 AA Alk Batt	69,154	1.68	116,178.72
8	Dura MN1604B 9V 1-Pk	46,196	2.42	111,728.98
9	Dura MN1300B2 D Size 2-Pk	45,213	2.42	109,415.46
10	Dura MN1500B2 AA Size 2-Pk	44,592	1.74	77,590.08
BLACK & DECKER ACCESSORIES				
1	B&D 71-013 13 Pc Bit St	897	10.73	9,624.81
2	B&D U1670 6 Pc St	695	9.86	6,852.70
3	B&D 73-300 3" 1 Blade	749	8.24	6,171.76
4	B&D 71-007 7 Pc Drill St	917	6.39	5,859.63
5	B&D 93-008 2-Pk D-B Bag	1,480	2.83	4,188.40
6	B&D 71-005.5 Pc Drill St	870	4.77	4,149.50
7	B&D 70-404 ⅛" Drill Bit	2,418	1.46	3,530.28
8	B&D 71-010 10 Pc Bit	365	8.18	2,985.70
9	B&D 73-007 Com Bld 7 ¼	855	3.00	2,565.00
10	B&D 71-382 Mag Bit W/Hld	348	7.11	2,474.28
POWER TOOLS				
1	B&D 7308 7¼" Saw	1,091	40.48	44,163.68
2	B&D 7391 7¼" Circ Saw	494	55.46	27,397.24
3	B&D 9329 Minidustbuster	1,148	19.78	22,707.44
4	B&D 9360 Spotliter	909	24.98	22,706.82
5	B&D 7448 Sander	813	26.39	21,455.07
6	B&D 9359 Spotliter Jr	1,163	17.81	20,713.03
7	B&D 9020 Cordless Drill	445	40.64	18,084.80
8	B&D 7043 M47 ¼" Drill	819	21.55	17,649.46
9	B&D 9330 Dustbuster	576	30.24	17,418.24
10	B&D 7224 ½" Drill	270	61.50	16,605.00

Source: Schreiber Co., distributor, Lititz, Pa., for April through June 1986. covering 825 stores, including 725 discount stores, in the Northeast, Southeast, mid-Atlantic and North Central regions. Average prices reflect typical price points for most discount chains.

Study Details Homeowner Discount Store Shopping Patterns

EMMAUS, Pa. — She's a 43-year-old high school graduate with a job in administrative support and a house in the suburbs. Her family's annual income is more than $33,000 and they haven't moved in more than a decade.

Sound typical? It should. The person described above fits the profile for discount store shoppers who own a single-family house.

That key group was studied recently by Mediamark Research Inc., and the results have been released by *Practical Homeowner* magazine.

The study confirms some of the common wisdom in the discount retail industry and also points to some new directions.

Having lived in a 23-year-old, $66,000 home for more than 10 years, the typical discount shopper/homeowner needs to make a few repairs.

True to form for discount department store shoppers, the typical family in the survey leans toward light do-it-yourself projects.

In the 12 months preceding the study, 28.3% bought interior paint and 19.8% purchased exterior paint.

Some, 11.2%, risked trickier jobs and bought kitchen or bathroom plumbing fixtures.

Woodworking is Popular

Woodworking was listed as a hobby by 8.5% of those surveyed, a figure 19.7% higher than the average for all United States homeowners.

Furniture refinishing is an enthusiasm shared by 4.7% of the people surveyed. That might not sound like many, at first, but the figure is 33.5% higher than the average for all American homeowners.

When it comes to power tools for DIY projects, however, what's needed is probably already on the shelf of the family garage.

According to the survey, 49.1% already have electric drills, 44.5% have automotive tools, 31.1% have portable circular saws and 29.0% have electric sanders.

To some, the figures suggest the market is nearly saturated. Replacement business is thin, too, because the tools are used infrequently and can last a long time.

Out in the yard, though, the chances for continued sales look good.

Researchers found that 34.4% of those queried perform outdoor gardening.

The lawns are large, too. The percentage of respondents reporting lots of ¼-acre to a full acre was 36.1%. Another 18.3% have more than an acre of land.

Those surveyed are continuing to buy fertilizer, seed, shrubs and insecticide.

Most cut the grass with powered walk-behind mowers, no great surprise. A large number, 21.9%, have a riding mower or garden tractor.

Powered trimmers are popular, with 32.0% market penetration, and 27.8% own chain saws. Snow blowers, now in 10.4% of the surveyed homes, still trail garden tillers, which are in 12.9%.

Equipment Ownership by Homeowners Who Shop in Discount Stores

Item	Percentage Who Own	Percentage Difference* From U.S. Population
Power Walk-Behind Lawn Mower	49.5	+13.9
Electric Drill	49.1	+14.8
Automotive Tools	44.5	+15.9
Trimmer/Edger	32.0	+17.3
Portable Circular Saw	31.1	+17.5
Electric Sander	29.0	+13.1
Chain Saw	27.8	+14.8
Portable Jig Saw	27.1	+17.3
Riding Lawn Mower	14.8	+16.0
Electric Router	13.3	+12.9
Snow Blower	10.4	+16.3

**Survey results show discount shoppers own more equipment than the general population.*

Source: Practical Homeowner *magazine*

Purchases by Homeowners Who Shop in Discount Stores

Item	Percentage Who Bought In the Last 12 Months	Percentage Difference* From U.S. Population
Lawn Fertilizer	30.6	+14.5
Garden Fertilizer	28.1	+11.7
Lawn Seed	17.9	+16.7
Weed Killer	16.7	+13.1
Microwave Oven	10.9	+11.5
Ceiling Fan	10.5	+18.3
Kerosene Heater	4.4	+23.4
Humidifier	2.6	+19.4
Electric Heater	2.3	+12.2
Dehumidifier	1.6	+15.5

**Survey results show discount shoppers made more purchases in every category than the general population.*

Source: Practical Homeowner *magazine*

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_____ MRI-CS3 Concurrent Session #3: "Insurance and Accident Costs" $9.00
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_____ MRI-GS3 General Session #3: "Direct Product Profit: A Research Study" $9.00

TUESDAY, MAY 20, 1986

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Allow 2 weeks for delivery.

Payment Method:
Cash_____VISA_____
Mastercharge_____American Express_____
Check (Payable to AVW) _____ P.O.# _____

_____ _____
Card Number Expiration Date

_____
Signature Required on all Mail orders

Amount of Tapes:
Binder(s): _____ (6 Cassettes Binder @ $4.00 ea.)
_____ (12 Cassettes Binder @ $5.00 ea.)
Sales Tax (6.125%) Texas Residents Only: _____
Total: _____

NAME: _____
COMPANY: _____
ADDRESS: _____
_____
(CITY) (STATE) (ZIP CODE)

Discounters are stacking cases of motor oil on the selling floor for rebate-minded customers. At Bradlees in Rockville, Md., higher-margin oil filters are placed strategically near the oil. (DSN photo)

Bulk Pack Stackouts Lube Motor Oil Profits

Nationwide DSN Report

While margins remain paper-thin in motor oil, discounters are finding some profit relief by replacing single quart cans with cases.

The strategy is succeeding. Many discount department stores contacted by *DSN* reported modest sales gains despite a relatively flat market for motor oil in other retail segments.

In fact, full line discount department stores have continued to dominate motor oil sales with a 36.3% market share, followed by auto parts stores, which had a second place share of 19.7%, according to research provided by Pennzoil.

And selling by the 12-qt. case has proven one key to moving more motor oil out of the discount department stores, said Vince Loneman auto buyer for the Cincinnati, Ohio-based Swallen's.

A variation on that strategy by some discounters has been to sell oil by the quart at everyday prices and promote by the case.

That strategy has been working for Mars Stores, a 20-store, full line discount chain based in North Dighton, Mass.

Richard Weiner, Mars automotives buyer, said higher volume is not the only advantage of selling by the 12-qt. case.

"You do save some ticketing labor, too," he said.

"It's easier on the people in our departments," agreed the automotives buyer for a major Northeast-based chain.

The buyer added that selling by the case made price comparisons more difficult because consumers tended to think in terms of quart prices.

Crossing quantity barriers allowed the chain to increase its price points by a penny or two per quart when it sold oil by the case. Even a modestly higher markup has helped with oil, an almost universal loss leader, the buyer said.

Biggest Aid

The biggest aid to marketing by the case has come from the oil manufacturers, who have been supporting the trend to full case sales with frequent rebates.

Valvoline recently offered a $5 per case rebate that ultimately lowered the everyday $11.88 per case price at Ann & Hope down to $4.20 on ad.

Other retailers also responded to the Valvoline offer, including Venture, Zayre, Harts, Gold Circle and Target.

This month, Valvoline bid for national attention with a $3 rebate and $2 bonus for a total of $5 off on a case.

Other chains, like Ohio-based Swallen's, have been promoting more frequently because of the availability of case rebates. The chain has been advertising oil every other week, according to a spokesman.

But other chains were promoting motor oil in nearly every circular before the case rebates became important.

To be effective, buyers agreed, case rebates must be offered on brands that consumers want. Buyers said their customers show strong brand loyalty and are often willing to pay a little more for premium national brands.

"We have a private label program," said one buyer, "and we really don't know where to go with it. The private label is not much cheaper than the national brands."

Brand awareness has caused many buyers to keep

(Continued on page 76)

a new look and a new series

Model 9100 Electric

Meco® Corporation presents the 9000 series. It's a brand-new collection of unique, contemporary designs in seven electric and charcoal grills, including tabletops and portables. Loaded with outstanding features, the 9000 Series gives your customers distinctive styling and real outdoor taste. And that's an exciting, innovative addition to the full line of Meco grills, water smokers and accessories.

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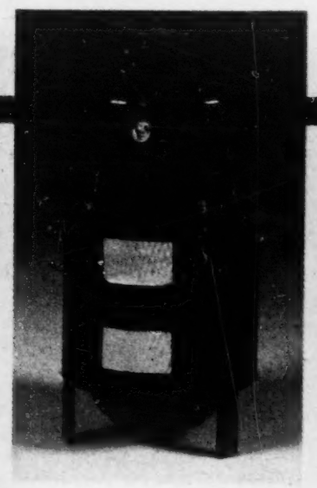
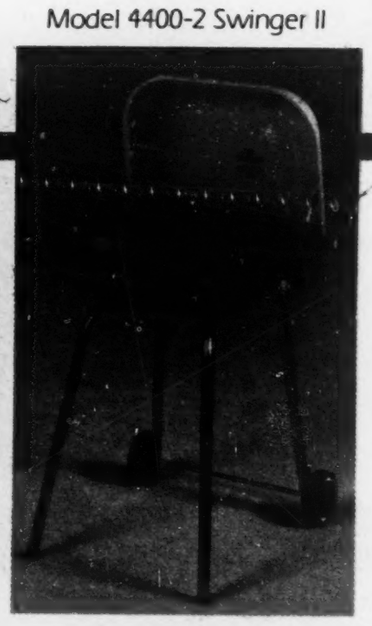


Model 4414-9 Swinger II

Model 4400-2 Swinger II



Come see the 9000 series at the August Hardware Show. Meco® booth #2200 and 2300.

AUTOMOTIVES: PRODUCT MOVEMENT AUDIT

Light Truck Sales Gather Momentum; Basics Maintain Speed

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVES			
1	Turt Super Hrd Shell Paste 14 oz	34,671	4.99	173,008.29
2	Fila Motorcraft Oil Filter	52,822	2.99	157,937.78
3	Raindance Paste (Appl Pk) 14 oz	20,009	6.99	139,862.91
4	16 oz Armor All Protector	21,189	6.19	131,159.91
5	Freon 14 oz	98,052	1.29	126,487.08
6	8 oz Armor All Protector	36,917	2.99	110,381.83
7	Raindance Liquid (Apl Pk) 16 oz	15,156	6.99	105,940.44
8	Turbo-Jet Brush Kit	6,093	16.99	103,520.07
9	Snowhite Lit 'N' Easy Gal	9,700	9.99	96,903.00
10	Auto Bulbs 2 on a Card	108,284	0.89	96,372.76
11	Gumout Jet Spray 13 oz	44,387	1.99	88,330.13
12	2 Ton Mini Hydrauic Floor Jck	1,855	44.99	83,456.45
13	Rear Window Brake Light W/Modu	9,587	7.99	78,978.3
14	Sealed Beam, Large Square	9,839	7.99	78,613.61
15	Westl Bleche-Wite-Liquid 20 oz	39,558	1.89	74,764.62
16	Halogen Seal Beam Lg Sq	4,672	15.99	74,705.28
17	15" Wire Wheel Cover Ea	3,914	18.99	74,326.86
18	Quaker State Deluxe	60,362	1.23	74,245.26
19	AC Spark Plugs	7,462	9.69	72,306.78
20	Quaker State Sup Blnd	60,216	1.15	69,308.62
	AUTOMOTIVES			
21	E43Z-12A297 A DY425 Module	999	68.82A	68,751.18
22	Castrol GTX 20W50 Qt Motor Oil	48,127	1.51	72,479.26
23	Window Film Kit, Smoke 20"X10'	7,325	8.99	65,851.75
24	Pennzoil Multi-Vis	51,576	1.27	65,604.67
25	J-Wax Kit Pre-Soft PST Wx 12 oz	15,928	3.99	63,552.72
26	AC Oil Filters	17,520	3.49	61,144.80
27	Quartz Halg Fog Light Kit AMB	1,957	29.99	58,690.43
28	Gunk Engine-Brite Aero 20 oz	32,684	1.79	58,504.36
29	Chamois 2½ Sq Ft	9,506	5.99	56,940.94
30	Motorcraft Oil Filter	14,025	3.99	55,959.75
31	Warco Dot Brake Fluid Qt	14,309	3.89	55,662.01
32	Chamois 4½ Sq Ft	5,468	9.99	54,625.32
33	Pennzoil Multi-VIS	46,896	1.16	54,305.57
34	Gumout Carb Clean 12 oz	31,524	1.69	53,275.56
35	Sealed Beam, Low Square	10,588	4.99	52,834.12
36	Turt Zip Wax Liq Car Wash 18 oz	26,078	1.99	51,895.22
37	2 Ton Hydraulic Floor Jack	1,713	29.95	51,304.35
38	Air Compressor W/Lite 225 PSI	2,006	24.99	50,129.94
39	Super Hard Shell Liquid 12 oz	17,649	2.79	49,240.71
40	Quartz Hal Driv Light Kit Cler	1,627	29.99	48,793.73

(Continued on page 70)

check it out. . .

. . .High Performance, Low Cost Scanning For Your Stores

Symbol Technologies, Inc., a leader in bar code reading technology for 12 solid years, has the scanning solution you're looking for! Check it out . . .

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I am interested in learning how the LS7000II will improve my store operations. *(check one or both boxes below.)*
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Title _____
Company _____
Address _____
City _____ State _____
Phone ( ) _____ Zip _____
Fill out coupon and mail to: Symbol Technologies, Inc., Dept. RA1, 1101 Lakeland Ave., Bohemia, NY 11716

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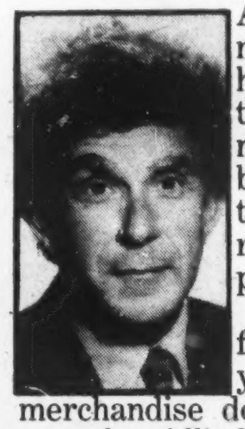
By HERB RECHTER
President, Allied Auto Parts



Auto aftermarket basics have held their own as momentum built for light truck accessories and imports.

During the first half of this year, imported merchandise doubled in volume for Allied compared to the first half of 1985.

Imports now account for about 10% of all our goods and the reason is simple: price.

Wholesale prices were 25% to 30% lower for merchandise we imported allowing for more promotional opportunities than products made domestically.

Imports have become important in a number of product lines, including mirrors, bulbs, tachs and other gauges, driving lights, air compressors, mats, wheel covers, jacks, jack stands and engine stands.

Imported air compressors have also steadily increased in sales.

The air compressor with light, a deluxe model with a $24.99 average retail, has moved into the 38th spot on the PMA, with second quarter sales of $50,129.94.

Small Truck Imports

Imports have also buoyed discounter sales in small truck accessories.

With sales of small trucks remaining strong and the aftermarket still growing, retailers have expanded their efforts in truck accessories.

These market entries stepped up competition, which led to dips of 5% to 7% for both retail and wholesale prices.

In this Product Movement Audit for the second quarter, truck parts failed to make a big splash near the top of the list because truck accessories are segmented into multiple entries.

Pass-through windows for Ford trucks were counted separately from nearly identical windows for Chevrolet trucks, keeping the numbers deceptively small.

Similarly, truck Deflecta-Shields were tracked separately by color and size, although the item made a strong showing on the PMA.

The large, smoke-colored Deflecta-Shield is 75th in total sales, while the small version is 110th. Taken together, they would rank 24th, with second-quarter sales of $65,743.56.

Other truck accessories that were broken down into discreet items in the PMA included truck mirrors and quartz off-road lights.

While the public taste for the exotic continued to advance in custom truck accessories, the PMA showed a steady move back to the basics in waxes and polishes.

The manufacturers have overdone it in recent years by

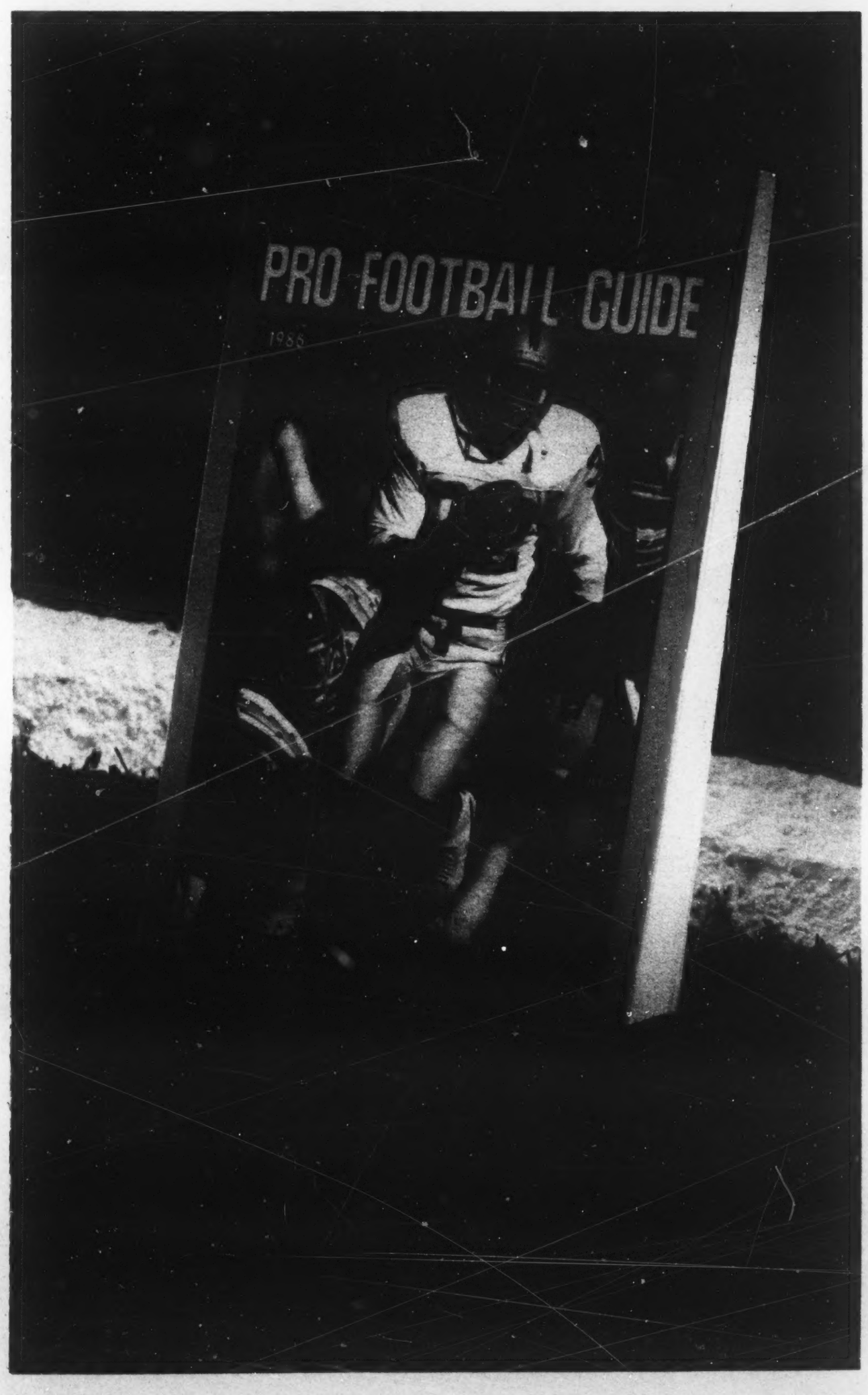
(Continued on page 70)

AUTOMOTIVES: PRODUCT MOVEMENT AUDIT

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVES			
41	WD-40 Aerosol 9 oz	24,462	1.99	48,679.38
42	194 Auto Bulbs 2 On Card	36,425	1.29	46,988.25
43	Gallon Gas Can Pull-Up Spout	15,556	2.99	46,512.44
44	Air Cond. Recharge Kit W/Freon	6,583	6.89	45,356.87
45	AC Oil Filters	12,959	3.49	45,226.91
46	Pres. Heavy Duty Brake Fld. 12 oz	22,133	1.99	44,044.67
47	Oil Treatment 15 oz	25,774	1.69	43,558.06
48	Sun Tachometer Super Tach II	870	49.99	4,349.13
49	4 oz Armor All Protector	28,485	1.49	42,442.65
50	Holland Chamois 4½ Sq Ft	4,230	9.99	42,257.70
51	32 oz Armor All Protector	4,619	8.99	41,524.81
52	Sealed Beam, Large Round	13,865	2.99	41,456.35
53	Raindance Car Wash Concen 20 oz	13,848	2.99	41,405.52
54	Air Compressor W/Gauge	2,053	19.99	41,039.47
55	Champ Plg	4,209	9.69	40,785.21
56	Antenna Sprng W/Booster 45"	4,515	8.99	40,589.85
57	"Rally" Cream Wax (Apr Pk) 10 oz	10,034	3.99	40,035.66
58	Snowite Lite-N-EZ Qt Kit	7,994	4.99	39,890.06
59	Warco Dot Brake Fluid 12 oz	26,729	1.49	39,826.21
60	Halogen Seal Beam, Lo Sq	4,387	8.99	39,439.13
61	2 Gallon Gas Can, Flex Spout	7,873	4.99	39,286.27
62	Blue Poly Paste Sealant 16 oz	3,912	9.99	39,080.88
63	Espre Wire Whel/Hub Cln 20	9,896	3.89	38,495.44
64	Boat, 3-Man 94x55	1,166	32.99	38,466.34
65	Pennzoil Z-7 30W	36,647	1.09	40,091.82
66	LB Jack Stand, Each	7,691	4.99	38,378.09
67	One Piece Auto Ramp, Pair	2,131	17.99	38,336.69
68	Rislone Oil Alloy 32 oz	13,739	2.79	38,331.81
69	Window Film Kit, Smoke 20"X5'	7,866	4.79	37,678.14
70	Simoniz II Premium Paste 14 oz	6,728	5.99	37,605.22

(Continued on page 73)

KICK OFF & RETURNS



KICK OFF THE FALL MOTOR OIL SEASON WITH CONOCO AND GET BIGGER RETURNS.

This fall, Conoco is offering your customers a rebate option that can't be beat. With a 12-quart purchase of Conoco motor oil, they can choose either a 1986 Pro Football Guide, or a $3.60 mail-in rebate. It's the perfect way to kick off fall motor oil sales.

For you, the returns will be great. Football fans are prime motor oil purchasers, and will jump at the chance to get the Pro Football Guide (a $9.95 value) for only a $2.00 handling charge. And that means greater returns for you with every 12 cans of Conoco motor oil sold.

The fall promotion line-up includes Terry Bradshaw, Conoco spokesman, who'll be featured in an exciting Conoco advertising campaign. Conoco also will support Jobbers with colorful point-of-sale materials and a co-op advertising program. The new fall motor oil rebate campaign will take your Conoco motor oil sales "all the way".

For the biggest returns ever on motor oil sales, kick off the fall selling season with Conoco.

Terry Bradshaw

CONOCO

Hottest Brand Going®

Imports Drive Price Wedge Into Auto

(Continued from page 68)

introducing more new waxes and polishes than consumers needed or wanted.

Consumers became confused and some of the claims for the more expensive new products were misleading. "Lifetime" finishes needed renewing, as it turned out.

A look at some PMA entries has indicated the return to basic polishes and waxes has gained momentum.

The 14-oz. container of Turtle Super Hard Shell paste, the quarter's biggest seller at $173,008.29, was a good example.

Raindance paste, another old standard, was listed third in sales, with $139,862.91, a further indication of the strength of basics.

Armor-All Protector's fourth and sixth place showings also supported the argument that consumers and retailers want well-known, time-tested products in the category.

Also worth noting in the waxes and polishes business was the rapid rise of the 10-oz. container of Turtle Clear Guard.

That product nearly made the PMA list after coming out of nowhere to post quarterly sales of $24,251.40.

Traditionally strong portions of the business did not disappoint in the most recent PMA.

The Flia Motorcraft oil filter duplicated its second place standing in 1985's mid-year PMA. Second quarter sales this year were $157,937.78.

The two-ton mini hydraulic

(Continued on page 73)

Appliance Sales Set Record in May

CHICAGO — The major appliance industry shipped nearly four million units in May, equaling the second-highest month ever.

The 3.9 million figure for May tied the second place month of March 1985, according to the Association of Home Appliance Manufacturers.

The record was 4.2 million in May 1985.

For May 1986, shipments were up 5.5% for dishwashers, 1.0% for refrigerators and 0.6% for clothes dryers.

Shipments of home comfort appliances were down 30.6% for the month because of inventory carryover resulting from last year's unseasonably cool weather.

For most other categories, shipments were down slightly.

In year-to-date comparisons, all products recorded shipment increases ranging from 1.4% to 10.0%.

The total of shipments for this year, 17.9 million, equals the total for the same period last year, a record year.

Industry forecasts call for a near-record shipment this year of 41.4 million units.

Truck Parts Pick Up Dept. Sales Volume

(Continued from page 70)

floor jack, a popular promotional item, more or less held position, dropping from 11th a year ago to 12th this time, with 1986 second quarter sales of $83,456.45.

The more modern rectangular headlights have shown that they are capable of taking over the replacement business from the old round models.

The best-selling headlight in this PMA was a large, square sealed beam in 14th place with sales of $78,613.61. The highest ranked round headlight was 52nd with sales of $41,456.35.

A year ago, a square light placed eigth and a round was ninth.

Another product on the wane is the third brake light. The PMA showed a retail of $11.99, but $6.99 was a more reasonable figure for the accessory these days.

Retailers' shelves are now filled with third brake lights and the consumer market is nearing saturation.

The PMA showed the rear window brake light with module at sales of $78,978.13, placing the accessory in 14th place, a position it will not again attain.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVES			
71	Havoline Motor Oil	32,256	1.15	36,965.38
72	Multi-Service Grease 14 oz	26,389	1.39	36,680.71
73	Instant Spare Tire Inflator 12	23,062	1.59	36,668.58
74	Auto Bulbs 2 on Card	28,238	1.29	36,427.02
75	Deflecta-Shield Large Smoke	907	39.99	36,270.93
76	AC Oil Filters	10,380	3.49	36,226.20
77	Auto Bulbs 2 On A Card	22,669	1.59	36,043.71
78	Blue Poly Polymer Seal Liq 16 oz	3,600	9.99	35,964.00
79	Thrush Turbo Muffler	2,547	13.99	35,632.53
80	Mag And Aluminum Polish 5 oz	9,622	3.69	35,505.18
81	Multi Service Grease 3/Tube 3 oz	13,325	2.59	34,511.75
82	Octane 104 Boost 12 oz	6,293	5.39	33,919.27
83	C-16 Bars Leak 12 oz (80)	13,619	2.49	33,911.31
84	Midget Grease Gun Kit	4,238	7.99	33,861,62
85	CD-2 Oil Detergent Black Label	14,146	2.39	33,808.94
86	Raindance Spray Liq. Wax 18 oz	5,604	5.99	33,567.96
87	Cyclop Wind Mnt Brk Lite W/Mod	2,217	14.99	33,232.83
88	Champ Plg	6,626	4.99	33,063.74
89	Pres. Heavy Duty Brake Fld. 32 oz	6,535	4.99	32,609.65
90	⅓ Ton Engine Stand	645	49.95	32,217.75
91	1000 Mini Triple Gauge Kit	2,138	14.99	32,048.00
92	Westl Bleche-Wite-Liquid 32 oz	10,702	2.99	31,998.00
93	Raindance Car Wash Powder 16 oz	10,683	2.99	31,942.00
94	Sim. Supr Blu Pre-Soft Pste 9Z	9,022	3.49	31,486.00
95	Sandable Primer Gray	15,731	1.99	31,304.00
96	AC Oil Filters	8,916	3.49	31,116.00
97	Hi-intnsty fog Light Kit Amber	2,395	12.99	31,111.00
98	2 Ton Floor Jack, Handle Control	311	99.95	31,084.00
99	20" Wheel Wrench	6,208	4.99	30,977.00
100	13" Wire Wheel Cover Ea	1,630	18.99	30,953.00
101	Escort Carpet Twin Front Gray	1,480	20.89	30,917
102	Promo Carpet Mat 4 Pc Set Blue	2,058	14.99	30,849
103	Westley ½ Gallon Car Wash	7,705	3.99	30,742
104	#7 Rubbing Compound 12 oz	15,407	1.99	30,659
105	AC Spark Plugs	3,154	9.69	30,562
106	Top Post HD Term 1/CD*	25,289	1.19	30,093
107	14" Wire Wheel Cover Ea	3,006	9.99	30,029
108	Antenna Sprng Type 3 Sect 53"	3,731	7.99	29,810
109	Suntune Dil/Temp/Amp/Gauge	1,062	27.99	29,725
110	Deflecta-Shield Small Smoke	737	39.99	29,472

Source: Allied Accessories and Auto Parts, Madison Heights, Mich., for April through June 1986. Allied services over 2,500 retail outlets throughout the United States, 98% of which are discount auto departments. Average retail prices reflect typical price points for discount stores.

Crazy Eddie Net Skyrockets 113%

BROOKLYN, N.Y. — Crazy Eddie has reported net income for the first quarter of fiscal 1987, ended June 1, of $2.2 million, a 113% increase from $1.1 million during the first quarter of the previous fiscal year.

Net sales for the quarter rose 41% to $64.5 million, compared to $45.8 million for the first quarter of fiscal 1986.

Comparable store sales increased 10% during the quarter.

Store count rose to 24 during the quarter, with the startup of two stores in Manhattan. All Crazy Eddie stores are in the Greater New York Area, New Jersey and Connecticut.

The company plans to move into a 210,000-sq.-ft. headquarters and central warehouse this summer in Edison, N.J.

Meanwhile, the weighted average number of common shares of Crazy Eddie stock outstanding during the first quarter rose 12.3% to 15.5 million, compared to 13.8 million a year earlier. The rise in number reflected the company's 100% stock dividend of July 1985 and the issuance of 1.5 million additional shares of common stock during a public offering in March 1986.

At the end of the first quarter, Crazy Eddie issued 6% convertible subordinated debentures with a principal of $81 million. The debentures, convertible at $46.25 per share, could result in the issuance of an additional 1.75 million shares of common stock.

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities.
The offer is made only by the Prospectus.

3,250,000 Shares

PAY'n SAVE

Common Stock

Price $16 a Share

Copies of the Prospectus are obtainable in any State from such of the undersigned and such other dealers as may lawfully offer these securities in such State.

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Bear, Stearns & Co. Inc. — **Dillon, Read & Co. Inc.** — **Donaldson, Lufkin & Jenrette** SECURITIES CORPORATION

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L. F. Rothschild, Unterberg, Towbin, Inc. — **Shearson Lehman Brothers Inc.**

Smith Barney, Harris Upham & Co. INCORPORATED — **Wertheim & Co., Inc.**

July 11, 1986

Chains Use Bulk Pack Stackouts to Grease Motor Oil Profits

(Continued from page 62)
their eyes on the shelves.

"We carry two brands as basics," said Mars' Weiner. "One is a gas station brand—currently Citgo—the other is Quaker State. We cherrypick a few viscosities from Valvoline and Caterol. We buy almost any name brand to promote."

Loneman of Swallen's said he carried seven brands, the same as last year. His sku's have increased because he has added the relatively new 5W-30 for smaller cars and as well as special oil for turbocharged engines.

Buyers also agreed that the standard viscosities of 10W-30, 10W40 and 20W50 remained most popular. Most of the case rebate programs have been linked with those varieties.

Buyers are calculating that case rebates will bring in more traffic than the single quart promotions, an important reason for being in the oil business.

In Loneman's stores, impulse items are placed near the cut-case oil displays. His choice of adjacent merchandise is varied among the company's stores but included interior accessories, air fresheners, funnels and seasonal goods such as air conditioning accessories.

One buyer said his planogram for this fall placed cases and single quarts of oil across the front of the automotives department. When customers reach the oil display, the rest of the department "will be looking right at them."

According to Pennzoil, 64% of motor oil is sold at retail prices below $1.18, the figure the company considers the average price of motor oil. Just 36% is sold above that figure.

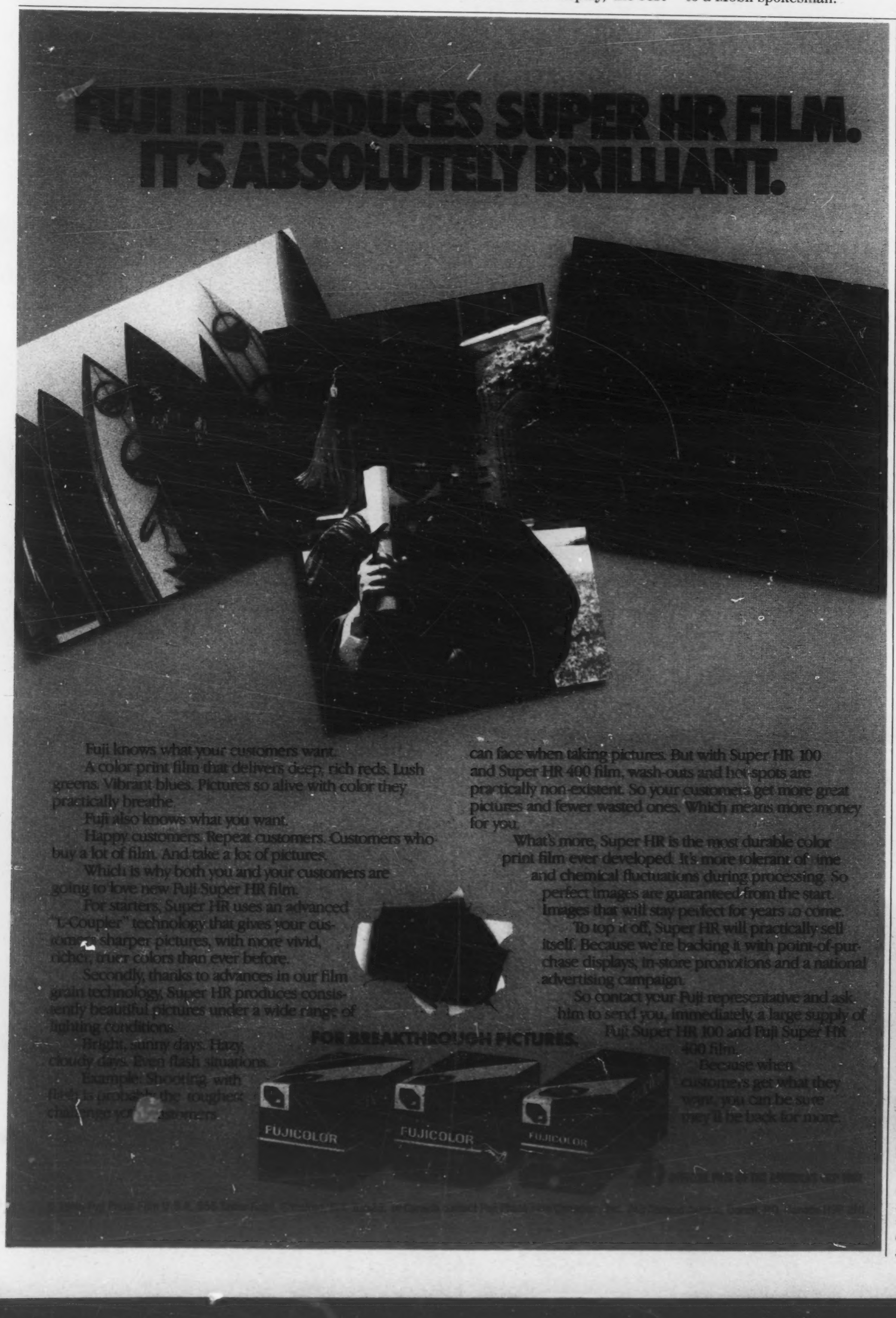
For many discounters, though, the $1.18 price must seem terribly high.

Wal-Mart is considered an aggressive oil merchandiser, with an everyday price of 74¢ for Mobil 10W40, according to a Mobil spokesman.

Motor Oil Market Share by Retail Segment

Discount Stores	36.3%
Auto Parts Stores	19.7
Service Stations	14.3
Automobile Dealers	5.9
Quick Lubes	4.0
Department Stores	4.0
Repair Garages	3.5
Grocery Stores	3.2
Drug Stores	2.2
Tire Stores	2.1
Convenience Stores	0.7
Other	4.1

Source: Pennzoil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Fuji knows what your customers want.
A color print film that delivers deep, rich reds. Lush greens. Vibrant blues. Pictures so alive with color they practically breathe.
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For starters, Super HR uses an advanced "T-Coupler" technology that gives your customers sharper pictures, with more vivid, richer, truer colors than ever before.
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Car Stereo

(Continued from page 74)
"CD sales are still light," said Jay Menduke, car stereo buyer for the West Coast-based Federated Group. He predicted sales will not show much change until this fall, when he expected prices would start to come down.

Other buyers were less optimistic. Even though consumer electronics industry veterans are accustomed to seeing sales take off when technology costs decline, they said it could take CD prices longer to drop.

According to James Pedranti, Sparkomatic vice president, marketing, problems such as engine noise, dirt and the jolts of a moving vehicle are expensive to overcome.

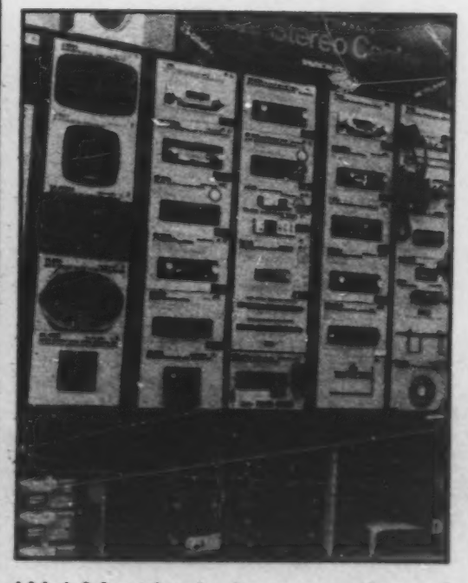
Installing a CD player is also much more difficult for the do-it-yourselfer than slipping in a cassette player.

"I'm really starting to question whether CD is going to be a gigantic force in car sound," Pedranti said.

On the other hand, tape players for digitally recorded sound may offer some other sales volume options.

Besides carrying lower prices, consumers have the additional advantage of being able to record music at home, an impossibility with CD.

Pedranti predicted digital would become a force in the market by next summer and would dominate the industry by the end of the decade.



Wal-Mart includes a number of brands in its car stereo demonstrator, including Jensen, Craig and Sparkomatic. The display also carries CB radios, speakers and accessories.

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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New Top Team Begins to Take Shape at K mart

OFFICE OF THE CHAIRMAN
Samuel G. Leftwich, vice chairman
Bernard M. Fauber, chairman, ceo
Norman G. Milley, president, K mart stores
Joseph E. Antonini, president, coo
Joseph R. Thomas, executive vp, chief administrative officer
Frederick M. Stevens, executive vp, specialty retailing
Larry M. Parkin, executive vp, U.S. K mart stores

By KAREN PAXTON

TROY, Mich. — K mart Corp.'s next generation of management has begun to crystalize, with Joseph E. Antonini, the new president and chief operating officer, the most likely successor to Bernard M. Fauber, chairman of the company.

The team of top executives has been lined up with only a few details of how the management transition will be orchestrated through its final stages yet to unfold. The changeover should be completed by the end of June, 1987, when Fauber, 64, retires.

Antonini's promotion is the first step of the actual passing of the reins to new management. As president, coo, he is responsible for all operating divisions of the corporation—a major shift in the chain of command at the corporation.

Larry M. Parkin, executive vp of U.S. K mart stores, Frederick M. Stevens, executive vp of specialty retailing and Joseph R. Thomas, executive vp and chief administrative officer, now report directly to Antonini.

Previously, those three executive vp's and Antonini, who had been executive vp and president of K mart Apparel had reported to the office of the chairman.

The office of the chairman is made up of Fauber; Norman G. Milley, president of K mart stores group, and Samuel G. Leftwich, vice chairman. Milley, 62, has announced that he will retire on February 1 of next year.

Although the three senior executives worked as the office of the chairman, the company didn't quite have a triumverate rule, Milley said explained, Fauber was "clearly the leader."

Milley handled the merchandising direction for K mart stores and Leftwitch was the company's operations maven.

For the last two years, Antonini, 45, Parkin, 52, Stevens, 50, and Thomas, 51, were being trained "to pick up the reins" by those in the office of the chairman, said Milley.

At this point, Milley said he and the others in the office of the chairman are "taking a hands-off approach," letting the new group of executives "get their feet wet." Fauber, Milley and Leftwich will continue to participate in the the executive meetings every Monday morning, however.

One of the key remaining questions behind Antonini's promotion is the final title changes this next generation of K mart executives will ultimately have.

Additionally, it is unclear what role Leftwich, 59, will play going forward.

(Continued on page 75)

Best, Service Refocus on Core Biz

The heart of the new housewares section in Service Merchandise's Paramus, N.J., unit is a kitchen, formed by wire grid fixtures and a working area for product demonstrations. (DSN photo)

Best Will Close 17 Losing Units

RICHMOND — In a struggle to regain profitability, Best Products has taken a sharp knife to its operations.

On the chopping block are 17 unprofitable showrooms—the first the chain has ever shuttered—its 33-store Ashby's woman apparel division, the regional accounting and data processing facility in Minnesota and its quarterly stock dividend.

The cataloger will also seek to reduce corporate payroll expenses primarily through employee attrition, eliminate vacant staff positions and set into place a general tightening of departmental operating budgets, according to a company statement.

Best will operate the showrooms and Ashby's through the Christmas sales period. The regional accounting operation will be consolidated into the headquarters facility here by early 1987.

Best Jewelry, the company's other retail business, will remain in operation and is expected to be profitable this

(Continued on page 88)

Service to Unload Mr. HOW Chain

NASHVILLE — Service Merchandise, acknowledging that it will shed its unprofitable Mr. HOW warehouse home center division, has sold 12 Mr. HOW units and four others under construction to K mart's Builders Square subsidiary.

The step is just one in Service's program to reconcentrate on its core catalog showroom business. The company also is launching its own credit card operation, opening about a dozen new showrooms and upgrading six others, while remixing its merchandise assortment to focus on four areas: jewelry, home goods, leisure and juvenile products.

Service's acknowledged departure from the warehouse home center field follows earlier statements by executives that the company would turn around the Mr. HOW operation. The Mr. HOW chain has lost money since its inception three years ago and has seen its store count rise to 27 units earlier this year before Service began jettisoning units.

(Continued on page 88)

Glass Wins Award

David Glass, president of Wal-Mart Stores, was named Discounter of the Year at the annual SPARC Awards banquet. Presenting the award were DSN *publisher Fred Filer and editor Iris S. Rosenberg. See story page 2.* (DSN photo)

Wickes Intends to Liquidate Howard Chain Store by Store

MONROE, La. — Wal-Mart, ALCO and Rose's are the chains most likely to acquire Howard Discount Stores in Louisiana, Mississippi, Texas and Tennessee, following a decision by parent Wickes to reject two leveraged buyout offers from Howard's management. Instead, Wickes favors liquidating piecemeal the 89-store chain.

No single chain is expected to achieve market dominance in Howard's former market as the result of store acquisitions. Rather, interested chains have the opportunity to accelerate expansion plans

(Continued on page 87)

Catalog Showroom News —page 12

Housewares: Product Movement Audit —pages 39-40

Lawn & Garden Supplement —pages 47-60

May/ADG Merger Scheduled for Vote

ST. LOUIS, Mo. — The May Department Stores Co. and Associated Dry Goods (ADG) have each scheduled an Oct. 3 special shareholders meeting expected to produce approval of the May/ADG merger announced July 18.

A May Co. spokesman said that by Aug. 22, both companies had complied with a Federal Trade Commission (FTC) request for additional information under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, but declined to elaborate on the nature of the information requested by the FTC.

The spokesman indicated that neither the contents of the companies' additional filing with the FTC nor the FTC's additional questions about the impending merger would delay the transaction. The two companies will merge to form a $10 billion company with two strong discount store chains, Venture and Caldor, and several successful department store groups.

July sales results from the May Co. show a 13.8% increase in sales at its Venture stores compared to last year, $74.1 million versus $65.1 million. Venture stores also racked up a 9.7% store-for-store increase during the period. Caldor results for the same period were unavailable.

SPARC Awards Banquet Honors Glass, Lazarus

CHICAGO — Two veteran discounters and nearly 60 consumer products makers were honored at the annual SPARC Awards banquet sponsored by *Discount Store News*.

A record of more than 500 industry executives were on hand for the gala event that was held here during the Hardware Show.

David Glass, president of Wal-Mart stores, was named Discounter of the Year and Charles Lazarus, founder and chairman of Toys "R" Us, was inducted into the Discount Hall of Fame. The SPARC (Supplier Performance Award by Retail Category) Awards were designed to honor the top consumer products vendors for merchandising excellence.

Winning manufacturers were nominated for the awards in a poll of buyers at the top 100 discount chains. A second balloting of divisional merchandise managers at those chains produce the first, second and third place winners.

A complete story on the SPARC winners will appear in the Sept. 22 issue of *Discount Store News*.

First Six Months Results*
(In Millions of Dollars)

Chain	Sales			Earnings		
	Current Fiscal Year	Previous Fiscal Year	% Change	Current Fiscal Year	Previous Fiscal Year	% Change
K mart	$11,190[A]	$10,440	7.2	210.0	133.3	58.0
Wal-Mart	5,114[B]	3,590	42.5	169.3	123.5	37.1
Federated Dept. Stores	4,558	4,384	4.0	81.9	75.1	9.1
Dayton Hudson	4,060	3,680	10.3	75.3	73.4	2.6
Woolworth	2,929[B]	2,680	9.3	48.0	33.0	45.5
Zayre Corp.	2,257	1,685	33.9	22.3	31.2	(28.6)
Associated Dry Goods	2,025	1,920[C]	5.5	8.4	23.9	(64.9)
Gemco	1,139[D]	1,129	0.9	(28.1)[E]	6.5	—
Service Merchandise	1,083[F,G]	893	21.4	(38.5)	(3.3)	—
Ames	821[H]	533	54.0	12.1	11.7	3.4
Rose's	538[B]	448	20.1	10.3	7.3	41.1
Jamesway	260	227	14.5	3.5	2.5	0.4
Dollar General	245[F]	264	(7.2)	0.7	6.1	(88.4)
Syms	101[F]	102	(1.0)	4.7	5.8	19.0
The Wholesale Club	54[F]	30	0.8	(1.0)	(0.8)	—

** For 26 weeks ended Aug. 2, 1986. [A]For 26 weeks ended July 30, 1986. [B]For 26 weeks ended July 31, 1986. [C]Includes sales of Power Dry Goods Co., a division sold at end of June 1985. [D]For 26 weeks ended Aug. 3, 1986. [E]Pretax earnings. [F]For 26 weeks ended June 30, 1986. [G]Results includes a pretax nonoperating loss of $5.8 million from the sale of five Chicago-area Mr. HOW Warehouse units. [H]Includes sales of acquired G. C. Murphy discount and variety stores.*

Source: Company reports

First Half Discounter Results Swing Widely Among Chains

Nationwide DSN Report

Discount store and specialty retailers came up with a mixed bag of sales and earnings results for the second quarter and first half of the current fiscal year.

The nation's top discount store chain, K mart, posted a 58% earnings gain for the 13 weeks ended July 30, 1986, on the strength of new merchandising and promotional programs. Woolworth announced earnings gains of 30% for the quarter, primarily attributable to the success of its specialty store formats, such as its Kids Mart off-price chain.

In contrast, Associated Dry Goods suffered a 93% drop in earnings for the quarter because of poor sales in its Caldor discount division, as well as its Southern California department store division, J. W. Robinson. Zayre Corp. posted a 44% drop in earnings despite earlier optimism.

Nevertheless, retailers are anticipating improved results in the second half of the fiscal year, based on early encouraging back-to-school sales.

K mart reported earnings for the second quarter of $118.4 million, up from $74.8 million a year ago. Sales rose

(Continued on page 75)

Takeover Bid Still Pending

Heck's Opens Last 3 Stores for '86

NITRO, W. Va. — In the midst of both a turnaround effort and a buyout offer, Heck's proceeded on plan to launch three stores in West Virginia, Kentucky and Virginia in late July.

Two 60,000-sq.-ft. stores were unveiled in Barboursville, W. Va., and Charlottesville, Va. The third, a 50,000-sq.-ft. unit, was opened in Corbin, Ky. The three cities were first-time sites.

At presstime, Isaacs said he had not heard the terms of a buyout offer filed by an investment group with the Securities and Exchange Commission July 30. The group, led by New York-based brokerage firm Edward A. Viner & Co. and Robert I. Toussie, an industrialist and real estate developer, already owns 754,000 shares, or 8.5%, of Heck's outstanding common stock.

The offer came amid reports of Heck's recent financial difficulties. As a result of serious accounting and computer errors, Heck's reported a $4.5 million loss for fiscal 1985 rather than the anticipated modest earnings gain.

As part of its turnaround efforts, the company is continuing to reduce excess inventory. The company also closed 12 unprofitable stores in Indiana and Kentucky last June.

Isaacs said he is looking ahead to a profitable third quarter, based on a strong start to back-to-school sales.

For the four weeks ended August 2, 1986, Heck's reported a sales increase of 7% to $40.3 million from $37.8 million for the same period a year ago. July store-for-store sales, however, were down 11% from the year before.

For the second quarter ended June 28, the chain posted a net earnings loss of $1.8 million, including a charge for the 12 store closings. Before that charge, operating income had been $1.6 million.

Large-Sizer Comes East

Undaunted by competitors who have joined the large-size women's apparel market, off-pricer Xxtra Special/Modern Woman took its West Coast operation East, opening last month in Nanuet, N.Y., and Cherry Hill, N.J. As shown in the Nanuet store, mostly brand name merchandise is displayed face out. See story page 15. (DSN photo)

Home Centers Land Discount Execs

Edwards

Zarkin

Nationwide DSN Report

Two West Coast-based home center chains have snared the expertise of East Coast discount veterans.

Jack Edwards resigned as president and chief operating officer at Rose's Stores Inc. to assume the post of president and chief executive officer for Wickes Company's two home center operations, Builder's Emporium and Home Centers West.

Together the two chains form a 134-store operation, with most locations in California.

Herbert J. Zarkin, formerly executive vice president, marketing and real estate of Zayre Corp.'s discount department store division,

(Continued on page 87)

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New Products, Updated Colors and Styles to Drive Record Sales

By LLOYD BARNBLATT
Vice President, Bacar Inc.

Discounters should keep an eye on the performance of recent product introductions from Rubbermaid, Foley and Webster that have shown signs of promise.

The new offerings, combined with updated colors and styles in housewares, bathware and closet shop lines stimulated product movement during the second quarter of this year.

Strong demand across the board also resulted in record volume for the year ended June 30, 1986, at Bacar Inc., and I project that there will be another 15% increase on top of last year's performance by the end of fiscal 1987.

Rubbermaid has just introduced a new storage line, and although we have just received our initial shipment, it went through the warehouse very quickly; we have had to double our initial quantities from the plant that we had on order.

It's too soon, however, to say anything more definite about the performance of the new storage line at this point.

New stovetop cookware from Foley has just been shipped, and I think it could be a winner. The new line, called Great Cooks, has oak handles and a non-stick interior.

We recently showed the Foley line at our dealer show and it had a very good reception; hopefully the next quarter will bring budding retail sales.

The most noteworthy item in cleaning aids was the recently introduced Webster All-Purpose Duster which was by far and away the outstanding promotable item in the category.

The manufacturer took an ordinary cleaning aid and turned it into an impulse item.

Multi-colored packaging helped sell this new duster which is the first on the market with a telescoping handle. The special handle lets the user reach cobwebs on the wall and behind furniture. It has been well received by all of our customers and had a tremendous sell-through when advertised.

Leading the growth among established housewares merchandise are Rubbermaid food storage containers. Corningware's Visions cookware and Nordic's small microwave turntable are also setting the pace.

In bath and closet categories Rubbermaid continued to be the shining star, as the popularity of slate blue bath accessory items continued to come on like gangbusters. Itex tubular hangers, Con-Tact sheets and promotable laundry basics like baskets and ironing board pads also performed well.

Servin' Saver Strong

New sizes and shapes in Rubbermaid's Servin' Saver food storage line further fueled already strong sales. The new products together with increased customer acceptance, convinced many discounters that it was time to increase the amount of space devoted to the line.

For example, a typical discounter, who had offered customers a 4-ft. selection of Servin' Saver, had in some cases added as much as 12 more feet to the food storage line since it was first introduced a few years ago.

I believe the line will continue to merit this space dedication. Our salespeople reported having a very difficult time keeping the shelves full of this merchandise.

Among bath items, Rubbermaid's slate blue accessories were almost as popular as the all time favorite almond colored bathware.

As is the case with all highly promoted merchandise lines like bathware, the order of the top 15 volume producers varies depending on which were promoted during the time frame being tracked.

Shower caddies were still a very strong item in bath goods, and we have expanded the Grayline type merchandise with Selfix goods.

Even though the two lines are similar, we have experienced good sales through both manufacturers. The Selfix Shower Spray still remained the No. 1 single dollar producing item in this category.

Laundry remained a typically high-promotion category, led by the "Baroness" ironing board with a $22.99 ticket generating over $27,000 during the second quarter. Spring pins, as well as teflon covers and pads comprised the bulk of the top 15 list.

(Continued on page 40)

CLEANING/CHEMICALS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Webster All Purpose Duster	5,159	8.99	46,379.41
2	Willert T/Bowl Fresh Deod Tree	22,032	0.69	15,202.08
3	Nat C/Broom (20%) Economy 4 Sew	2,100	4.99	10,479.00
4	Willert Cedar M-Balls 7 oz Bag	6,536	1.59	10,392.24
5	O-Cedar Power Strip Sponge Mop	846	10.79	9,128.34
6	White 16" Black Dust Pan	1,020	7.79	7,945.80
7	Cadie 4-yd Cotton Cheese Cloth	3,103	2.39	7,416.17
8	Quickie Autom Roller Mop	774	9.49	7,345.26
9	Hoover Bag Uprite Top Fill (3)	2,112	3.29	6,948.48
10	Willert Enoz Moth Ball 1-lb Box	2,953	2.29	6,762.37
11	Vac Bag Eureka Uprights (2)	6,552	1.00	6,552.00
12	Willert Cedar Tree Deod	4,393	1.49	6,545.57
13	Willert Enoz M-ball 10-oz Box	2,904	2.19	6,359.76
14	Quickie Automatic Sponge Mop	738	8.49	6,265.62
15	Willert Cedar Moth Kill Block	2,580	2.29	5,908.20

CLOSET/BATH

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Selfix Portable Wall/Hand Shower	939	11.99	11,258.61
2	I/P Plastic All Purpose Hng ST3, beige	2,280	3.99	9,097.20
3	Cnsir Promo Bath Scale, white	666	12.99	8,651.34
4	Selfix Shampoo spray	2,760	2.69	7,424.40
5	Itex Tubular Plastic Hngr, alm	31,104	0.19	5,909.76
6	Itex Tubular Plastic Hngr, white	30,318	0.19	5,760.42
7	Plaza Pk5 Child Tubulars Asstd	3,648	1.39	5,070.72
8	Itex Tubular Plastic Hngr, blue	26,496	0.19	5,034.24
9	Itex Tubular Plastic Hngr, brwn	26,064	0.19	4,952.16
10	Bev Wire Drip/Dry Hanger St 6	6,179	0.79	4,881.41
11	Bev Plastic Suit Hngr, Cl set 3	2,143	2.09	4,478.87
12	Excell S/Curt Linr w/mag clear	1,305	3.39	4,423.95
13	Strlite Jumbo Box, alm lid	582	6.89	4,009.98
14	Cnsir Scale Digital, sq white	104	35.99	3,742.96
15	Cor-Pk Tie/Belt Vinyl Rack	1,105	3.29	3,635.45

CORNINGWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Visions 6-pc Set 1, 1.5, 2.5 qt	509	58.99	30,025.91
2	Visions 7-pc Rangetop Set	303	84.49	25,600.47
3	Visions 2.5-qt Cvd Saucepan	643	26.49	17,033.07
4	Visions 10" Skillet W/Cover	639	22.99	14,690.61
5	Visions 1.5-qt Dbl Boilr W Cover	387	32.49	12,573.63
6	Visions 5-qt Cvd Saucepot	365	31.49	11,493.85
7	Visions 1.5-qt Cvd Saucepan	529	21.49	11,368.21
8	Visions 1-qt Saucepan	519	18.49	9,596.31
9	Visions 9" Skillet	562	15.49	8,705.38
10	Visions 1-qt Cvd Saucepan	593	14.49	8,592.57
11	Crng Chef master Set, pstl boq	144	48.99	7,054.56
12	Visions 6" Skillet	579	11.49	6,652.71
13	Crng 10" Skillet	294	20.99	6,171.06
14	Visions 3.5-qt Cvd Steamer	196	29.49	5,780.04
15	Crng 6-cup Teapot, pstl boq	254	22.49	5,712.46

GADGETS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	G/L King-Size Shower Kaddy	5,496	5.99	32,921.04
2	R/K Refl "Mega" Bowl 8" Plug-in	6,948	3.39	23,553.72
3	R/K Refl "Mega" Bowl 6" Plug-in	8,112	2.89	23,443.68
4	Saw Hand Can Opener-Jr Asstd	7,290	3.19	23,255.10
5	Saw Hand Can Opener, almond	3,147	6.29	19,794.63
6	AM/FM "1-lb" Diet Scale Kit	2,669	6.79	18,122.51
7	G/L Jumbo Helper Shelf (Stand)	3,587	4.69	16,823.03
8	Sunbeam Timer Short Ring, alm	1,538	9.99	15,364.62
9	Gemco Glass Replc Decant 10-cup	2,525	5.49	13,862.25
10	Sunbeam Timer short Ring white	1,377	9.99	13,756.23
11	Saw Hand Can Opener, choc.	2,077	6.29	13,064.33
12	R/K Refl Pan 6" GE&H/P Hng Elmnt	7,140	1.59	11,352.60
13	R/K Refl Pan 8" GE&H/P Hng Elmnt	5,364	2.09	11,210.76
14	E-Z Foil 12-pk Elec Burner Bibs	3,672	2.69	9,877.68
15	Saw Hand can Opener, red	1,548	6.29	9,736.92

GLASSWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	G/H Salt-Pep Jar w/Hnd 4 oz	11,413	0.99	11,298.87
2	G/H Drink Jar w/Hnd 1 teal 16 oz	9,744	0.99	9,646.56
3	G/H Drink Jar w/Hnd Colr 28 oz	4,160	1.69	7,030.40
4	A/H Fountainwr Cryst Soda Glass	3,348	1.99	6,662.52
5	A/H Fountainwr Cryst Tulip sund	3,323	1.99	6,612.77
6	A/H Fountwr Cryst Banana Split	3,156	1.99	6,280.44
7	A/H Fojntwr Crystl Ftd Sherbt	3,155	1.99	6,278.45
8	G/H Mason Jar Reg qt (case)	626	7.59	4,751.34
9	I/G 4-pk Cooler Heritage blue	678	6.59	4,468.02
10	I/G 4p-pk Bever Heritage Blue	664	6.39	4,242.96
11	G/H Mason jar w/M quart (case)	503	8.39	4,220.17
12	Lby 4-pk Bever Chivalry Crystal	637	6.39	4,070.43
13	Lby Bulk Tall cooler Deco	2,655	1.49	3,955.95
14	A/H Jar 2-gal rnd/Glass Lid	219	17.99	3,939.81
15	Lby 4-pk Coolr Chivalry Crystal	565	6.89	3,892.85

LAUNDRY

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Symr "Baroness" Iron Board tan	1,203	22.99	27,656.97
2	Penley Dble Grip Sprig Pins	4,830	3.19	15,407.70
3	Welmaid Pd&Cvr Set Hd Silicone	1,272	9.99	12,707.28
4	Penley Hardwood Spring Pins	8,881	1.29	11,456.49
5	Symr "Majesty" Iron Board Mve	343	29.99	10,286.57
6	Symr "Duchess" Iron Brd 4-leg yellow	376	26.49	9,920.24
7	Welmaid Pd&Cbr Set HD Cotton	816	11.25	9,180.00
8	Magla Table Top Iron Table	907	9.99	9,060.93
9	Magla Wash Machine Bag	2,832	2.99	8,467.68
10	Magla Elastic Pad & Cover	1,086	7.69	8,351.34
11	Welmaid Pd & Cover Set Teflon	1,026	6.59	6,761.34
12	Symr "Rid-Jid" Iron/Brd Mesh grn	164	40.49	6,640.36
13	Welmaid Pd & Cvr Set Hvrst Cotton	648	9.98	6,467.04
14	Magla Teflon Cover & Pad	606	9.89	5,993.34
15	Welmaid Nat Cotton Cover	738	6.99	5,158.62

PLASTICS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Arrow Giant Serv Bowl w/Display	4,020	6.39	25,587.80
2	Laidlaw Fly Swat/Wirehnd W/Dsp	27,294	0.69	18,832.86
3	P/W 30-oz Giant Bumbler Asst	36,192	0.39	14,114.88
4	E/I Spray Bottle Plan-Pint	8,808	1.59	14,004.72
5	E/I Spray Bottle Plain-Quart	5,880	1.99	11,701.20
6	Superseal 1 qt Decanter Clear	7,531	1.49	11,221.19
7	Jrn 7-pc Rainbow Bev Set w/Disp	1,880	5.59	10,509.20
8	Superseal 2-qt Decanter Clear	4,584	2.29	10,497.36
9	Alladin Covd Rnd Contr 5.5 gal	1,477	6.29	9,290.33
10	Arrow Colander 4-qt Asst	4,061	1.89	7,675.29
11	Bes-Pak Freezer Wrap 15" x 50 ft	2,423	2.99	7,244.77
12	Dial Jumbo Odd/End Bskt 12 x 9 x 3	3,684	1.89	6,962.76
13	Superseal See-Thru Pitcher 2 qt	2,298	2.99	6,871.02
14	Ges Ashtray 5" Rnd Earthtones	4,811	1.29	6,206.19
15	Dial Cutlery Tray 5-comp Asst	2,745	2.19	6,011.55

RUBBERMAID

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Rect Laundry Baskt slt blue	5,259	6.89	36,234.51
2	R/Neck Rnd Can 32 gal choc	1,176	24.99	29,388.24
3	Rect Laundry Baskt alm	3,712	6.89	25,575.68
4	Dix Dish Drain Wire slt blue	3,012	7.89	23,764.68
5	Single Turntable alm	6,939	3.29	22,500.31
6	Drain Tray 15 x 20 alm	4,056	5.39	21,861.84
7	Rect Laundry Baskt choc	3,125	6.89	21,531.25
8	Twin Turntable alm	3,839	5.59	21,460.01
9	Drawer organizer 9 x 3 alm	17,040	1.19	20,277.60
10	Dix Dish Drain Wire alm	2,502	7.89	19,740.78
11	Drawer Organizer 15 x 6 alm	9,438	2.09	19,725.42
12	Drain Tray 15 x 20 slate blue	3,637	5.39	19,603.43
13	Bathmat 14 x 22 (Wrap) white	4,848	3.99	19,343.52
14	R/Neck Step-On 30 qt. slt blu	1,160	15.99	18,548.40
15	Sml Rect w/Basket slt blue	3,246	5.69	18,469.74

TABLETOP

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Mlt Cone Filter No 4 (6-cup) 100 ct	9,336	3.79	35,383.44
2	Mlt Cont Filter No 4 (6 cup) 40 ct	11,130	1.69	18,809.70
3	Mlt Cone Filter No 6 (10-cup) 100 ct	4,548	3.99	18,146.52
4	Mlt Cone Filtr No 6 (10-cup) 40 ct	7,458	1.79	13,349.82
5	Mlt Cone Filtr No 2 (1-cup) 100 ct	3,324	3.29	10,935.96
6	Mlt Coffeemaker System 10-cup	1,021	9.99	10,199.79
7	Incense Spin Floor Disp w/Mdse	21	468.00	9,828.00
8	Mlt Cone Filter No 2 (1-cup) 40 ct.	6,048	1.49	9,011.52
9	Dsgn Imgs 20-pc Set rose tris	134	46.99	6,296.66
10	Mlt Replace Glass Carage 10-cup	774	7.99	6,184.26
11	Mlt Coffeemaker System 6-cup	630	9.49	5,978.70
12	Dsgn Imgs 20-pc Set pch grind	126	46.99	5,920.74
13	Lvngwr 18-oz Bwl (4) White	326	15.49	5,049.74
14	Mlt Basket filter F/Drip 100 ct	4,176	1.19	4,969.44
15	Mlt Cone filter No 1 40 ct	3,720	1.29	4,798.80

VACUUMWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Aladdin qt Stanley Btl w/Hndl	878	48.99	34,013.22
2	Thermos Super Quart, 36 oz	1,361	11.49	15,637.89
3	Thermos Flip-N-Pour pt w/Hdl	1,082	12.99	14,055.18
4	Thermos Flip-N-Pour pt w/Hdl	1,386	9.99	13,846.14
5	Aladdin Hy-Lo w/Mouth Plst pt	1,220	10.99	13,407.80
6	Aladdin pt Stanley Bottle	294	42.99	12,639.06
7	Thermos Pint Perma Case	1,428	8.69	12,409.32
8	Aladdin qt Pop-Top Stn Plst Bt	1,028	11.79	12,120.12
9	Aladdin qt Rugged American Btl	330	35.99	11,876.70
10	Thermos Poly Work Kit w/25q	678	17.49	11,858.22
11	Aladdin Hy-Lo w/Mouth Plst	811	14.49	11,751.39
12	Thermos School Kit Asstmt (24)	49	239.76	11,748.24
13	Aladdin 24-oz Stanley Wide/mth	235	49.99	11,747.65
14	Aladdin 2 qt Stanley Btl w/Bail	168	64.99	10,918.32
15	Thermos S/Steel 1 Liter grey	261	39.99	10,437.39

HOUSEWARES: PRODUCT MOVEMENT AUDIT

Ekco Leads Cookware Category as Market Share Increases

(Continued from page 39)

In cookware, seasonal items like the General Housewares Canner rank high at this time of year, but as far as basic everyday selling merchandise is concerned, Ekco's Baker's Secret outperformed the rest in this product line, and the Ekco's market share appears to be getting even stronger.

Visions cookware dominated the Corningware line with a 6- and 7-piece set retailing for $58.99 and $84.49 leading the dollar volume.

Corning had backed the program with a lot of advertising dollars, and now the company has received its payoff in sales volume.

In fact, if it weren't for Visions, Corning would be in trouble since the regular Corning line and French White have slowed down in volume considerably.

Introduced just last year, the Nordic Microwave Turntable has already jumped to top spot in the microwave accessory mix.

Why has it been so successful? As far as I know it's the only turntable on the market that can fit into the smallest of the compact microwave ovens available. With a $43.99 retail, we shipped 520 units, or nearly $23,000 in volume during the second quarter of 1986.

Anchor Hocking's Freeze, Heat & Serve microwave accessories were still active and seem to have a strong position in the low end retail market. Corning is going to try to reassert itself in the category by developing strong promotions during the fourth quarter.

Golden Harvest Jars with handles led glassware sales, with 5 sku's ranking among the top 15 items. Also performing well was Anchor Hocking's Fountainware, which will soon drop off the chart with the close of the ice cream soda season.

Single pack glassware is starting to make inroads into the market, but it's too soon for them to hit the top 15 chart for this report.

In the closet shop, as usual, the Itex tubular hangers accounted for the largest unit sale in this category. They are a highly promotable item. We'll probably add "hot" colors along with the pastels this year since there seems to be a trend in this direction.

Con-Tact is still the top performer in the coverings category. The 8-yard roll has started generating sales as a lot of our accounts realize it can be sold in a larger roll on a non-service program.

The 8-yard roll can be sold to the customer as an item, while the 25-yard roll has to be cut to size when the customer purchases it.

As far as vacuumware is concerned, Thermos and Aladdin are sharing the marketplace. The back-to-school program this year was very active, although it wasn't reflected in this product movement audit.

The 1-qt. Aladdin Stanley thermos bottle with a handle was far and away the leading item on the top 15 list, accounting for over $43,000 in retail sales volume. The Thermos Super Quart followed with sales of $15,500 during the second quarter.

This is because we offered our accounts an incentive if they would place orders early. As a result, most of these orders were made before these rankings were compiled.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	COOKWARE			
1	G/H "Granite" Canner w/Rack, 21 qt	1,470	21.49	31,590.30
2	Ekco B/S 12-cup Muffin Pan	3,396	5.29	17,964.84
3	Ekco B/S Lrg Cookie Sht 17 x 11	3,091	4.89	15,114.99
4	Lodge C/Iron Skillet, 10"	1,477	8.99	13,278.23
5	Ekco B/S Oblong util Pan 13 x 9	2,712	4.39	11,905.68
6	Ekco B/S Med Cookie Sht 15 x 10	2,474	4.39	10,860.86
7	Foley Silv/stone 12" S/P Oak Hdl	508	18.49	9,392.92
8	Foley Percolator, 9-cup	973	7.99	7,774.27
9	Nordic 12-cup Formed Bundt Asst	769	9.99	7,682.31
10	Ekco B/S Roast/Bake pan 14 x 10	1,260	5.99	7,547.40
11	W/E pref Slv 10" Chef Fry Pan	937	7.99	7,486.63
12	Normdy Giant Co 12-qt Pot, alm	607	12.29	7,460.03
13	Ekco B/S 9" Round Cake Pan	2,472	2.99	7,391.28
14	Lodge C/iron Rd Flat Grdl 10.5"	645	10.99	7,088.55
15	Lodge C/iron Skillet 12"	453	15.59	7,062.27

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	MICROWAVE			
1	Nordic Micro-Go-Round Compact	520	43.99	22,874.80
2	Microette Corn Popper 3.5 qt	1,513	7.99	12,088.87
3	A/H Micro Popper/Steamer/Roastr	498	14.29	7,116.42
4	Nordic Micro-Go-Round Origini	93	55.99	5,207.07
5	A/H Micro Bacon Rack 12 x 10	643	7.79	5,008.97
6	A/H Micro Cooking Shelf	337	14.29	4,815.73
7	A/H FZ Heat & Serve (2) oval Cass 17 oz	1,333	3.19	4,252.27
8	Corning Little Sizzler Grill	207	18.99	3,930.93
9	A/H FZ/Ht & Serve (4) Ramekin 6 oz	1,176	3.19	3,751.44
10	A/H FZ/Heat & Serve (2) Platters 9 x 7	1,098	3.19	3,502.62
11	A/H FZ/Heat & Serve (1) oval Cass 28 oz	1,045	3.19	3,333.55
12	A/H FZ/Heat & Serve (1) rnd Cass 48 oz	1,033	3.19	3,295.27
13	Micrortte Plate Cover, clear	475	6.69	3,177.75
14	Pyrex Micro Cook & Serve Tray	600	5.29	3,174.00
15	Crng Micro Trio Set w/Covers	104	29.99	3,118.96

Source: Bacar Inc., distributors, San Jose, Calif. Volume and ranking reflect movement for the second quarter of 1986 at 658 stores, 480 of which are mass merchandisers. Average retail prices represent typical price points at mass merchandisers.

Wal-Mart Up 43% in 2nd Quarter; Discount Stores, Sam's Spark Gains

BENTONVILLE, Ark. — Steady growth in both its discount store and Sam's Wholesale Club chain has boosted second quarter sales at Wal-Mart 43%.

For the quarter ended July 31, 1986, total sales rose to $2.8 billion, from same quarter sales a year ago of $1.9 billion. Same store sales were up 13% for the quarter; Excluding Sam's, store-for-store growth would have been approximately 12%.

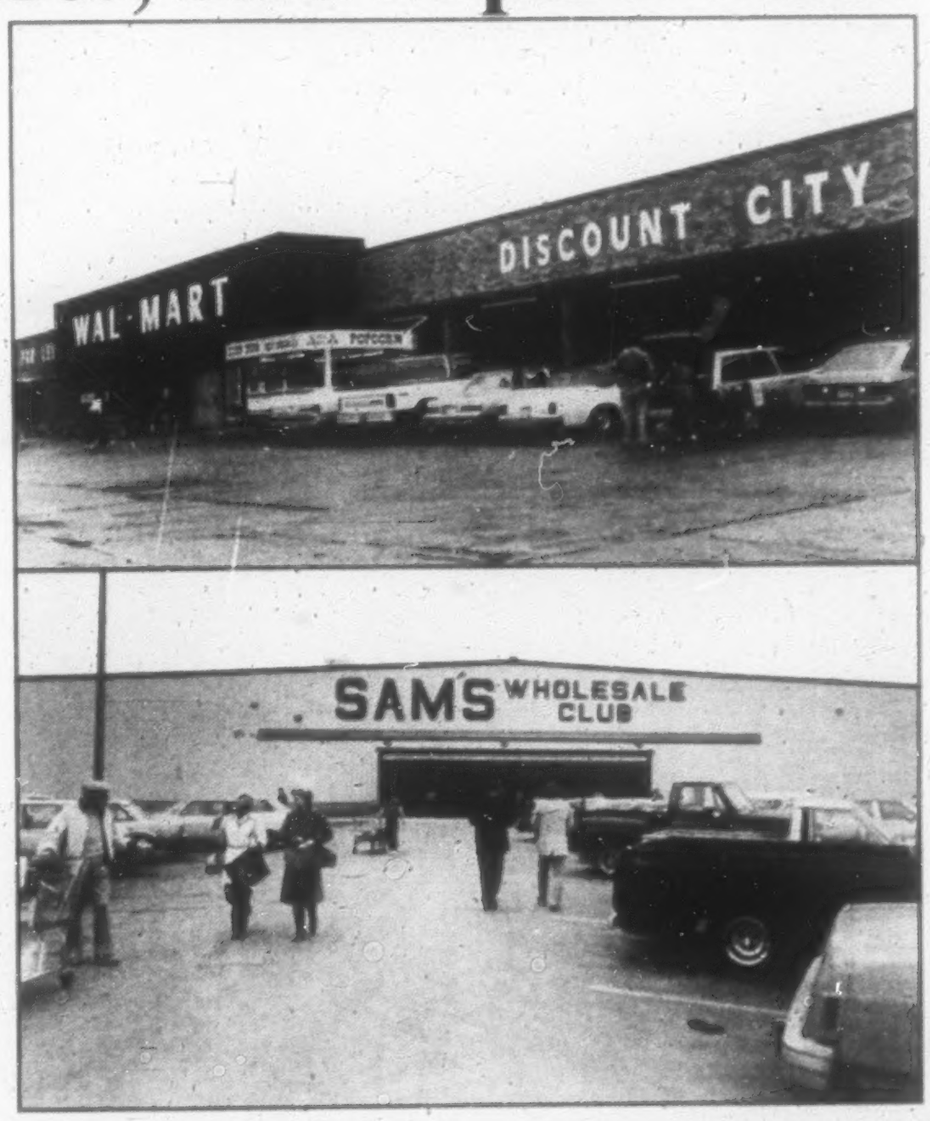
Over the past year, Sam's Wholesale Club has expanded to 37 units against 13 a year ago. The chain's operation on a lower gross profit and S & G A percentage has impacted on total company results.

During the quarter, the company's FIFO gross margin declined to 23.7% from 25.1%. Aside from Sam's affect on gross margins, Wal-Mart stores took lower initial markups over the 13 weeks. These were partially offset by smaller markdowns.

The company had lowered the gross margin whenever it achieved a lower S & G A percentage.

The LIFO gross margin for the quarter came to 23.4%, as compared to 24.7% a year ago. The LIFO charge during the period totaled $7.6 million, versus $7.7 million last year, bringing the LIFO charge to 0.3% of sales for both periods.

Vice president, finance Charles Self said the decline in gross margins wasn't a negative sign for the company. "We should be measuring return on investment as opposed to return on sales. Sam's can return a comparable return on investment to that of the discount stores," he said.



Wal-Mart's second quarter sales rose 43% to $2.8 billion on the strength of its discount stores and Sam's Wholesale Club. Sam's is expected to open about 8 stores by year end. (DSN photos)

As percentage of sales, S & G A costs fell to 17.1% from 17.9% for the previous fiscal year's second quarter. Again, this was a result of the membership warehouse chain's lower S & G A ratio.

The company anticipates the opening of at least six to eight Sam's units by year end. Leases have already been signed in East St. Louis, Mo.; Greenville, S.C.; Houston; Louisville, Ky.; Memphis and Nashville, Tenn.; Oklahoma City and Orlando, Fla.

The company also plans to open 18 to 20 additional Sam's units in 1987, although several of these may be opened before the year is out, said Self.

SCAN-TECH 86 Show To Study Bar Code Use

PITTSBURGH — The latest developments in bar code technology, along with case studies of its integrated use in a distribution center, will be among the topics discussed at SCAN-TECH 86, the fall trade show and seminar of the automatic identification industry.

Sponsored by the Automatic Identificiation Manufacturers (AIM), SCAN-TECH 86 will be held Oct. 15 to 17 at the Moscone Center in San Francisco. Ten different sessions will be presented during the three days, with each repeated once.

Development of standards for the implementation of bar coding will be discussed at a session sponsored by FACT, the Federation of Automated Coding Technologies. That group is made up of suppliers and users, such as retailers of automatic identification technologies.

The SCAN-TECH 86 seminar sessions include: recent developments in bar code products; bar code applications in distribution with presentations by executives from Walgreen and Frito-Lay, among others; improved inventory control, with presentations by representatives from U.S. Shoe and other firms, and improved productivity, detailed by officials from Haggar Apparel and others.

The keynote sessions will include a case study of the evolution and use of bar coded jeans in inventory management and in a distribution center. A Levi Strauss executive will present that session.

The human dimension in the application of automatic identification technologies will be discussed by a Hewlett-Packard executive.

Information and registration is available from the Automatic Identification Manufacturers, 1326 Freeport Road, Pittsburgh, Pa. 15238. Phone (412) 963-8588 or TWX 315186 AIM PGH.

All the seminar sessions except for the keynote presentation cost $145 each. The keynote presentation and lunch cost $195. The FACT session is $145. Session registration includes two free passes to SCAN-TECH 86's trade show.

Wal-Mart in $4.8M Stock Redemption

BENTONVILLE, Ark. — Wal-Mart has announced it is redeeming $4.8 million in outstanding preferred stock it issued August, 1981 for its acquisition of Kuhn's Big K stores.

The preferred stock has a $27.50 redemption price and is convertible into Wal-Mart common stock at 4.3859 per share. Wal-Mart stock was selling at $46½ on Aug. 21.

The preferred stock carries an 8% dividend guarantee. The right to convert will terminate on Sept. 19, said a Wal-Mart spokesman.

Gas Grill Sales by Outlet

Outlet	Total Gas Grills Owned	Type of Gas Grill Owned		
		Standup LP Gas	Tabletop LP Gas	Natural Gas
Discount Store	29%	33%	44%	3%
Catalog Chain	13	14	8	9
Department Store	11	11	12	9
Hardware Store	11	12	—	11
LP Gas Dealer	9	5	4	29
Home Improvement Center	7	7	12	6
Catalog Showroom	5	6	8	—
Drugstore	3	3	8	—
Came with Home/Custom Built	2	—	—	14
All Other	10	9	4	19

Source: Barbecue Industry Association

Grill Market Sizzles; More Growth Foreseen

Nationwide DSN Report

The market for grills continued to sizzle in 1986, and the outlook for 1987 shows the potential for sales growth is far from fizzling out, discount chain executives indicated.

"We are doing a strong business in gas grills," said Rick Wilson, divisional merchandise manager, Bradlees, headquartered in Braintree, Mass. "We built a good high end business a few years ago. More recently, we went back and built a low end business as well."

Overall, discount chains are continuing to explore the middle and upper ranges of the mass market models, adding to their assortments units that are more feature-laden. At the recent hardware show in Chicago, many chain buyers reported shaping 1987 plans that include purchases in the $200 to $300 price range.

Metro market discounters, though, are more likely to trade their customers up than are rural market chains.

On average for discounters, however, the lion's share of the business will continue to be in the $100 to $200 everyday price range. And most chains will continue to stock and promote low-priced models that allow them to hit an $80 to $100 price point.

Wilson said that gas grill sales at Bradlees were strong in the $200 price range. But 1986 sales indicated there still may be room at the top for customers in the chain's major Northeast markets. The recent hardware show found Wilson looking at models that retail at more than $400.

Frank Bisceglia, senior vice president, hard lines merchandising, Service Merchandise, Nashville, Tenn., also was optimistic about his grill business and about the potential at the high end.

Good Grill Year

The 175-unit catalog chain just concluded another good year with gas grills, and he was confident the category will continue to be a strong seller next year. When it comes to gas grills, "There's no such thing as a bad year." Service Merchandise could push price points higher, Bisceglia said. His chain, which enjoyed success with a gas grill priced at $329, is looking at a more-elaborate, full-feature model priced around $500. The item would neither be listed in the chain's catalog nor stocked in every store. "I think the model can do well in selected stores," Bisceglia said.

Following the trade up lead of its American parent, K mart Canada also expects to be able to push grill assortment prices into the $300 range, its buyers indicated. The Canadian-based operation has been steadily moving away from charcoal grills and is now concentrating more on gas grills, said buyer T. Antonick. He said the most popular models are in the $200 price range.

The move to higher price points is giving discounters the room to add the fashion/styling and features they believe more customers are willing to pay for.

Manufacturers have been inspired to develop more feature-laden models for chains.

The newer features on models offered at the hardware

(Continued on page 51)

Chain Executives Expect No Fizzle of Grill Market Sizzle

(Continued from page 48)

show included more-elaborate wood carts with twin burners, wood shelves on both sides as well as underneath the grill, larger cooking surfaces, tempered glass shelves, window views and thermostats.

And a greater variety of colors are being offered beyond the traditional black hood and redwood-style shelves. For example, some manufacturers offer a choice of grey, brown or red, either on the wood or the hood. And at least one manufacturer came to the hardware show with a charcoal grill available in five pastel colors.

Nonetheless, discounters and their suppliers are determined to keep sight of the basic discount store customer. One manufacturer interviewed by *DSN* doesn't believe cart styling and color is that important for discounters: "We believe the average customer in a discount store is interested in the basic models in an average price range of $100 to $200."

The discount store executives interviewed agreed that a majority of their sales are in the low- to mid-range. But customer demand for higher-end models prompts some chains to carry high-end models in the hopes of getting them to upgrade.

In addition, discounters continue to see a stronger market for replacement parts and predicted that this side business will become a solid part of the overall department offerings.

Industry Study

A market study conducted by the Barbecue Industry Association (BIA) showed discount stores have regained the market share lost from 1977 to 1983. Discount stores now account for 39% of all grills sold, an increase from a 35% share three years ago. The study revealed that 44% of all charcoal grills and 29% of all gas grills (up from 20% in 1983) were purchased in discount stores.

Sales of gas grills in discount stores will continue to grow, predicted BIA president Arthur W. Seeds. He cited several reasons for the turnaround, including the growing popularity of barbecue in the food industry.

There's no doubt that, as this trend continues to grow in the food industry, that it has fueled a greater demand, and more and more consumers want to duplicate the cooking style at home.

The discount store chains have been able to capitalize on the popularity of barbecued foods by stocking an extensive line of gas grills and attracting customers through strong price promotions.

The BIA study also found that the male head of household will make the decision to buy the more expensive grills.

Men are more likely to be the decision maker for the purchase of gas grills, the study found, while women are more likely to buy tabletop and hooded braziers.

Traditional discounter Zayre, here in a Chicago area store, hits a low $79 price point with a Sunbeam unit but offers consumer step-up possibilities to a $200-plus featured cart unit. (DSN photo)

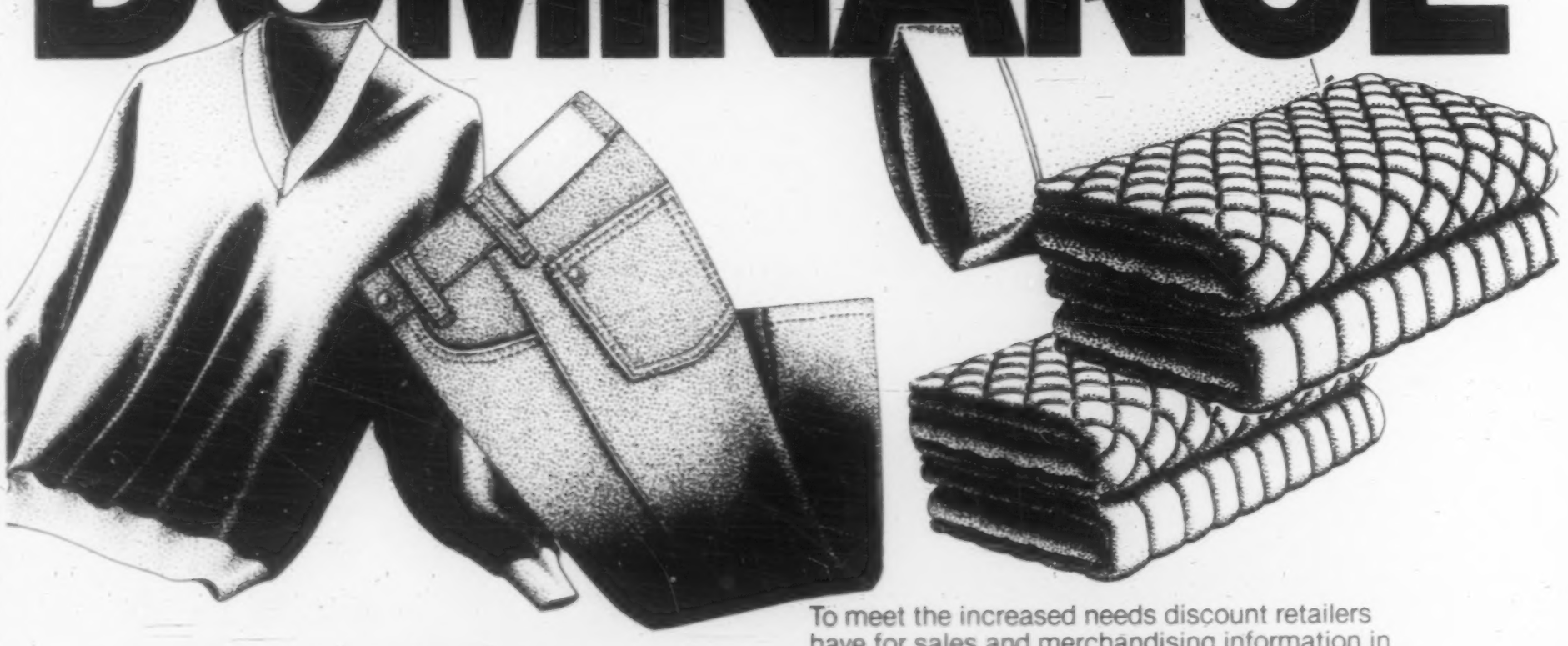
Discounters Lead Grill Sales

Outlet	Total Grills Owned	Type of Grill Owned	
		Charcoal	Gas
Discount Store	38%	44%	29%
Hardware Store	12	13	11
Department Store	11	11	11
Catalog Chain	9	6	13
Drugstore	5	7	3
Catalog Showroom	5	4	5
Home Improvement Center	4	1	7
LP Gas Dealer	4	—	9
Grocery/Supermarket	3	5	1
Came with Home/Custom Built	1	—	2
All Other	8	9	9

Source: Barbecue Industry Association

SOFTLINES MERCHANDISING

DOMINANCE



DISCOUNT RETAILERS DOMINATE SOFTLINES

Discount retailers are dramatically expanding their emphasis on softlines.

Consumer research shows more consumers are shopping at less than full price for apparel and domestics. And they're doing it more frequently at discount stores.

As a result, discount retailers are increasing their market share in apparel and domestics.

In fact, today more apparel and domestics are sold in discount retail stores than in any other market.

EVERY MAJOR SOFTLINES CATEGORY IN EVERY ISSUE

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- Women's apparel
- Children's apparel
- Domestics

To meet the increased needs discount retailers have for sales and merchandising information in these areas DISCOUNT STORE NEWS is dramatically expanding its softlines coverage.

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THE INDUSTRY SOURCE

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DISCOUNT STORE NEWS is published with greater frequency (twice a month) than any other discount publication. This is particularly important in these fast-moving fashion categories.

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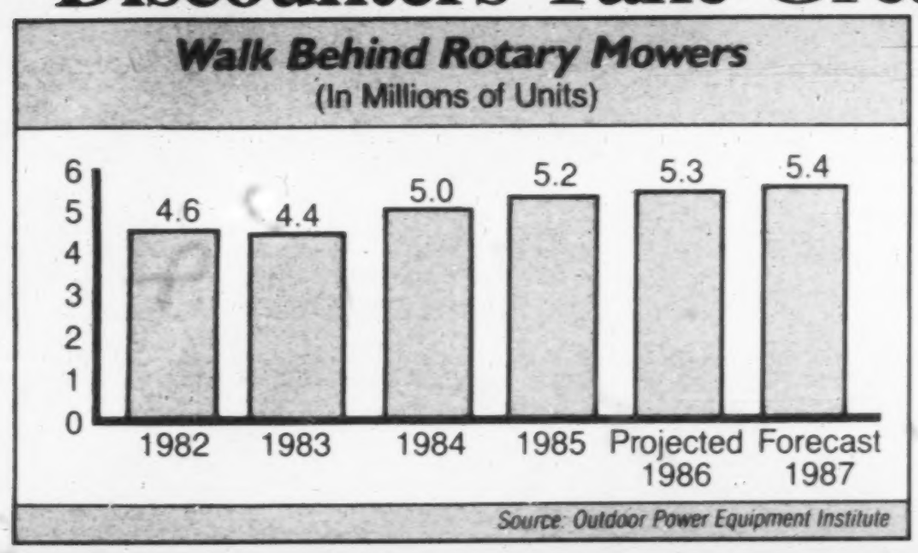
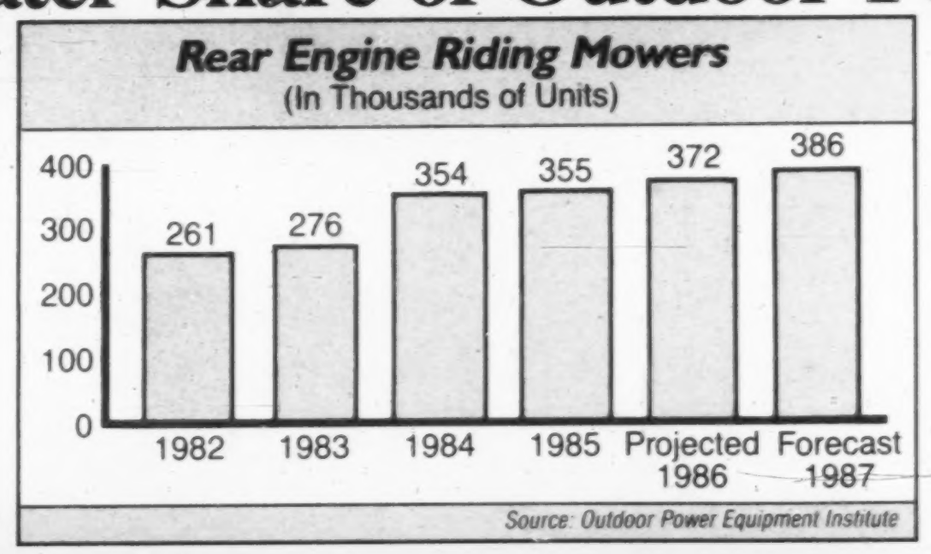
Discounters Take Greater Share of Outdoor Power Tools





Nationwide DSN Report

Discounters, already responsible for about 25% of all shipments of outdoor power tool equipment, will continue to be a growing retail source for those products, concluded a recent report conducted for the Outdoor Power Equipment Institute (OPEI).

Projected increases in gross national product, housing starts and disposable personal income were cited as key factors contributing to a stronger outdoor power tool equipment business. And with fewer shipments going to retail outlets such as Sears, the study suggests discounter business might benefit.

The institute's study projected increased shipments in most of the product categories it tracks, including walk-behind rotary mowers, rear engine riding mowers, lawn and yard tractors, garden tractors and walk-behind snowthrowers.

In fact, walk-behind tillers was the only merchandise line the OPEI tracks that was expected to decrease in 1986.

The decline in that one category is expected to continue into 1987. A projected 341,000 tillers will be shipped during this model year, with an estimated 320,000 units shipped by the end of the 1987 model year. (Statistics are based on a model year ending Aug. 31.)

Walk-Behind Tillers Drop

A 9% drop in walk-behind tiller shipments was reported for the 1985 model year.

The OPEI measured four channels of distribution according to the percentage of total shipments each received.

While the "distributor" classification, which includes Sears, Jefferson Ward and Western Auto, was projected to drop 1.3% from 1985 to 1986, and was forecast to slip 0.8% more by 1987, the "merchandiser and other" division is expected to rise 1.5% during the same two years.

Discounters comprise roughly half of the merchandiser division, while regional chains like Otasco, wholesaler/jobbers and catalog showrooms are the other half.

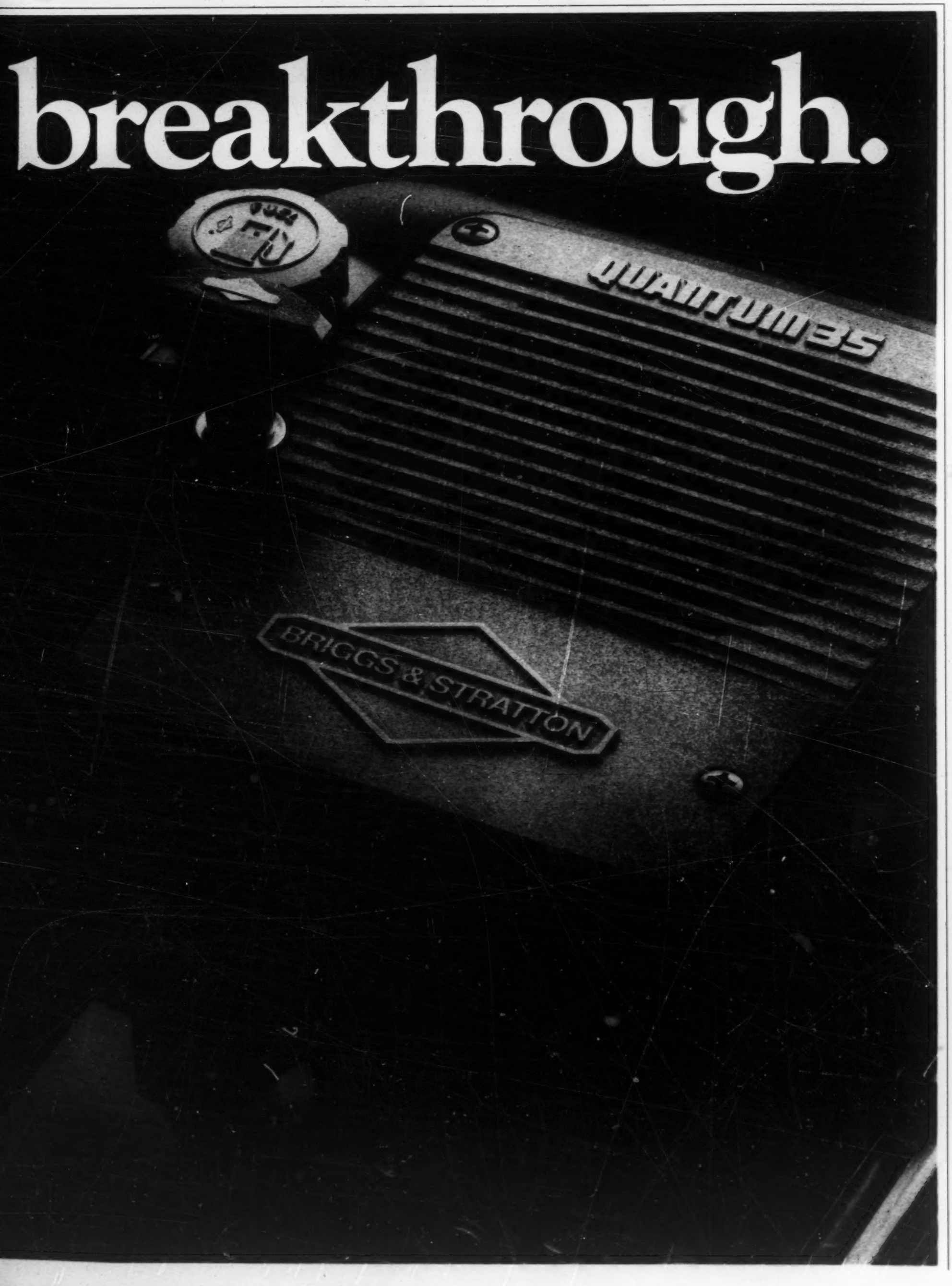
The home owner's basic walk-behind rotary mower, constituting the bulk of outdoor power tool business, rose to 5,193,000 units in 1985. The OPEI report projected shipments of 5,319,000 and 5,395,000 during this year and 1987, respectively.

Lawn and yard tractors, with the second highest volume, is projected to reach 557,000 units in 1986 and 580,000 during 1987.

Lawn and yard tractor shipments are expected to reach 557,000 by Aug. 31, 1986, and will total 580,000 by the end of the 1987 model year.

Walk-behind snowthrowers are expected to top 500,000 for the first time during 1987, compared to the 482,000 projected 1986 shipment.

The study was conducted for the OPEI by Gilson Brothers Co., a Plymouth, Wis.-based power equipment manufacturer.



New Top Executive Team Begins to Take Shape at K mart

(Continued from page 1)

Some K mart watchers suggested there will be no changes in titles. It was just in December of 1984 that Fauber first began to restucture the company by creating three operating areas: K mart stores, specialty retailing and corporate administration, each headed by an executive vp.

Under that reorganization, the post of president, coo was eliminated.

Now, with Antonini reviving that position after two years, the company could, instead, elect to operate without a chairman after Fauber's retirement next year.

Antonini is a 22-year veteran of K mart. He started as a stock clerk in 1964 and worked his way up to manager of Kresge stores in New York and Washington by '70 and district manager in '73. He managed a K mart store in Maryland in '76. By '82 he was director of store operations, Eastern region.

In 1983, Antonini was named director of sales promotions and shortly afterward, executive vice president, administration, K mart Apparel.

The recent strengthening of the chain's apparel business (now 22% of sales and a big contributor to profits) was staged under his direction. The company has developed strong private labels like Hunters Glen and the Jaclyn Smith signature brand, and also has increased nationally branded merchandise.

Antonini was named executive vp in January of this year, moving his office from the chain's North Bergen, N.J., apparel offices to Troy, Mich.

In addition to his direction in the discount stores, Antonini has been involved with developing a new apparel program at the corporation's recently acquired PayLess Drug division.

After Fauber became chairman in 1980, the credo at K mart became "think differently." Antonini, he said, "has demonstrated an ability to sense what the public wants and to develop a team able to satisfy those demands."

According to Milley, flexibility and willingness to make changes characterizes the entire younger team of executives at K mart.

"The young people we're putting into place will be much more flexible than we had been," said Milley. "They won't hesitate to change what needs to be changed."

He pointed to current plans to let apparel occupy more space in the K mart stores, and therefore increase the sales from the higher-margin merchandise. He added that the status quo at K mart now means to continue to reanalyze such aspects as space allocations.

At K mart Apparel, Antonini's former duties as president of the division will be taken over by Glen Smith, who at presstime held the title of senior executive vp of KMA.

First Half Discounter Results Swing Widely Among Chains

(Continued from page 2)

9.5% to $6.0 billion, from $5.5 billion. For the six months earnings climbed 58% to $210 million, as compared to same period sales a year ago of $133 million. Sales rose 7.2% to $11.2 billion, from $10.4 billion a year ago.

The company attributed these results to the success of its new apparel lines, better pricing strategy and more effective advertising. Also, the company said it had trimmed store hours and labor costs, and dropped its S G & A ratio to 24% of sales from 25%.

At Wal-Mart, earnings for the second quarter period ended July 31, came to $95.9 million, up 33.6% from earnings a year ago of $71.8 million. Sales jumped 43.5% to $2.8 billion from $1.93 billion.

Earnings for the six month period rose 42.5% to $5.1 billion, from comparable period sales a year ago of $3.6 billion. During the year, the chain opened 124 Wal-Mart stores, for a total of 915 at the end of the quarter. The company also expanded its Sam's Wholesale Club chain from 13 units to 37.

Dayton Hudson, parent company of Target and off-pricer Mervyn's, didn't fare as well this quarter, reporting an earnings downturn for the period ended August 2, 1986, of 8.5%, to $36.7 million, as compared to $40.0 million the year before. Sales rose 10% to $2.2 billion, from $2.0 billion the year before.

Kenneth A. Macke, chairman and chief executive officer of the corporation, said strong operating profit increases at Target and its Dayton Hudson department store division were offset by substantially lower operating profit at Mervyn's and a one-time 3¢ charge per share for the closing of its Pickwick Discount Books test chain.

Target's sales for the 13 weeks were up 8% to $976.8 million, from $904.5 the year before. Mervyn's achieved a 14% sales increase to $639.6 million, from $536.2 million a year ago.

Zayre's sales for the quarter were off about 44%, to $9 million before an extraordinary charge of $3.4 million for the redemption of the company's 12 5/8% senior subordinated debentures. This compares to comparable period earnings a year ago of $16 million.

Sales for the second quarter reached $1.2 billion, up 43% from sales the year before of $839.7 million.

Maurice Segall, president and chief executive, said the results stemmed primarily from lower than planned same store sales and merchandise margins in the Zayre stores. "Our off-price apparel specialty store group, T. J. Maxx and Hit or Miss, continues to show strong operating earnings."

Poor sales at Caldor were a primary cause for the 93% earnings drop for the quarter at Associated Dry Goods. Earnings fell to $2.96 million on sales of $1 billion. A year ago, earnings were $14.5 million on sales of $983.8 million.

For the six months, earnings dropped 64.9% to 8.4 million from $23.9 a year ago. Sales rose 5.5% to $2 billion, from $1.9 billion a year ago.

The company ADG agreed to merge with last July, May Department Stores, fared better during the second quarter and first half. Earnings rose 20.8% to $86.1 million from $71.3 million a year ago. Sales increased 11% to $2.4 billion, from $2.2 billion the previous year.

May's discount store division, Venture, also showed sales increases. For the quarter, sales were up 11.2% to $257.6 million from $231.7 million the year before. For the six months, sales improved 10.5% to $487 million, from $440 million.

"I Love a Parade" Sweepstakes...

Sporting Goods Manufacturers Suffer Through Slump in Sales and Profits					
	1981	1982	1983	1984	1985
Profit After Tax	+ 3.7%	+ 4.4%	+ 6.0%	+ 4.1%	+2.9%
Sales	+13.7	+10.3	+13.8	+13.0	+5.8
Return on Assets	+ 5.7	+ 7.5	+ 9.6	+ 6.3	+4.4
All U.S. Manufacturers (ROS)	+ 4.9	+ 3.9	+ 4.1	+ 4.6	+3.8

Source: Sporting Goods Manufacturers Association

Sporting Goods Makers' Profits Sag

NORTH PALM BEACH, Fla. — Sporting goods manufacturers suffered through their worst year for profitability in 1985 since the turn of the decade, and sales for 1986 and perhaps 1987 are expected to be flat, indicate figures compiled by the Sporting Goods Manufacturers Association.

Sales growth last year was just 5.8%, including inflation. After adjusting for inflation, real growth was a mere 2%.

SGMA President Howard J. Bruns said part of the remedy for ailing sales may be in the trend by conglomerates to divest themselves of sporting goods companies.

"We believe a stronger, more-profitable industry will be the result," he predicted. Most takeovers in the industry had "a debilitating effect the past 26 years, suppressing a certain degree of responsiveness necessary to compete," the SGMA official said.

The association also reported that more than 50% of all sports-related products will be manufactured in Asia this year, with nothing to deflect the shift to offshore manufacturing except the free market.

The SGMA's financial findings are based on data from 45 private and 31 public companies that account for $5 billion in factory shipments at wholesale value.

Females Propel Soccer's Popularity

Youth Sports Participation (In Millions)			
	Age 7-11	Age 12-17	Total
Basketball	2.2	7.2	9.4
Baseball	2.7	4.2	6.9
Softball	1.8	4.9	6.7
Volleyball	1.1	5.4	6.5
Football	1.3	5.1	6.4
Soccer	2.6	3.5	6.1

Source: National Sporting Goods Association

MOUNT PROSPECT, Ill. — Basketball continues to be the most popular sport among American youths, but soccer is gaining in popularity largely because the sport has attracted more girls and young women than other sports, indicated a study by the National Sporting Goods Association.

The study also showed that one out of every three frequent soccer players is a girl or woman and that soccer has done a much better job of attracting children 7 to 11.

Feds Clear Discounters Of Price Fixing Charges

BALTIMORE, Md. — State antitrust enforcers in Maryland and New York have dropped resale price maintenance (RPM) conspiracy charges against a number of discount and catalog showroom chains following a settlement agreement with Minolta camera.

Under the terms of that settlement, Minolta agreed to reinstate discounters who were terminated because of they refused to maintain "suggested" resale price levels on Minolta's MAXXUM 35-mm auto-focus camera line, and to pay as much as $7 million in rebates to consumers affected by the price fixing.

The case attracted nationwide attention earlier this year when W. Bell & Co., a Rockville, Md-based catalog showroom chain, was terminated as an authorized distributor of MAXXUM cameras because it advertised those cameras at $289—about $30 less than Minolta's suggested retail price.

In discontinuing sales to the chain late last year, Minolta explained in a letter to Bell that "we have suggested that all retailers offer the MAXXUM camera body with a 50mm f/1.7 lens at a retail price of at least $319.95"—a level that the manufacturer said "provides all retailers a reasonable profit margin."

Noting Bell's advertised price for the camera, the manufacturer said that "in view of the above, Minolta will no longer be accepting orders from W. Bell for the MAXXUM system."

That prompted RPM suits by the attorneys general of Maryland and New York, charging that Minolta engaged in a "nationwide conspiracy" to prevent retail price-cutting for its cameras.

Those suits charge that Minolta's co-conspirators included dozens of discounters, including K mart, Service Merchandise, Caldor and Best Products.

In announcing the settlement with Minolta, Maryland Assistant Attorney General Michael Brockmeyer said that the RPM charges against these retailers had been dismissed.

Although Minolta was not required to admit any wrongdoing, the agreement does require the manufacturer to reinstate all terminated MAXXUM dealers, including Bell, and to refrain for three years from discontinuing sales to retailers because of their pricing practices.

In addition, Minolta must offer cash rebates to all consumers who purchased the firm's auto-focus cameras prior to March 21, 1986. Purchasers of the MAXXUM 7000 model can get a $15 rebate, while consumers who bought the firm's AF-Tele camera can get back $8 .

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Valvoline® is giving away four trips to all four of these famous parades: the New York Thanksgiving Day Parade (and Broadway Show), the Pasadena New Year's Parade (and bowl game), the Indy 500 Parade (and race) and the 4th of July Parade at Walt Disney World.

Plus 44 trips to one parade, 444 color TV's (for watching parades) and 4,444 cases of Valvoline® FourGard™ motor oil.

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All your customers do is remember what the driver of the smoking car says in Valvoline's new commercial–"Parade." Tens of millions of viewers will be directed to enter at participating stores by the powerful TV message.

"Parade" features FourGard motor oil because four-cylinder cars are the fastest-growing segment of the auto population–in fact, they already make up almost 30%. And, of course, our "break-thru"

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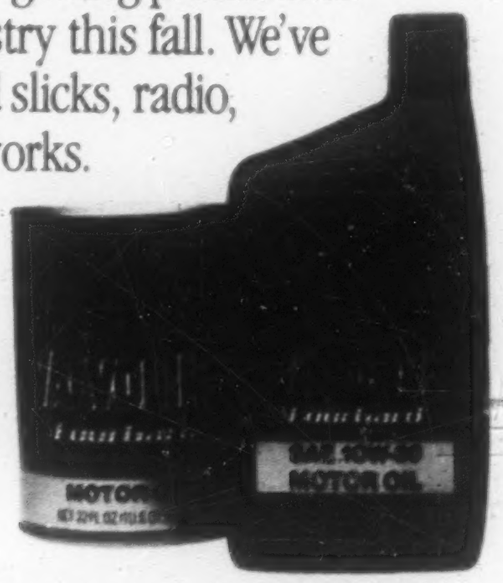

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Gold Circle Prototype Features Stacked Approach

Al Thompson

By KAREN PAXTON

SPRINGDALE, Ohio — Gold Circle's latest prototype embodies a "stack-em-high" merchandising approach, packaged in a slick presentation that includes large four-color graphics, ceiling-high wall displays and a subdued lavender, rose, green and gray color scheme.

"With this remodel we've shifted our emphasis more on soft lines," said Al Thompson, marketing vice president of the chain, who was in the store the day before the grand reopening.

"Shoppers see more merchandise in women's and children's wear because we've gone higher along the walls," Thompson said.

Soft lines has a larger chunk of the real estate as well. Reportedly, more than half of the 88,000-sq.-ft. selling floor of the Springdale unit is devoted to apparel. Hard lines areas such as luggage, hardware and sporting goods were scaled back to make room for that expansion.

The first updated Gold Circle since Peter Hayes became chairman was completed late last month in this unit outside of Cincinnati. The chain had been refining the set-up in the store since early this year.

At presstime, a store in Columbus, Ohio, where the chain is headquartered, and three others in Atlanta, South Carolina and Akron, Ohio, also were being changed to that design.

The plan is to planogram this prototype and roll it out to all 76 stores by the end of the decade.

While the new look is basically upscale with slate walls, slides and "Santa Fe neutral" colors, signs touting everyday low prices, quick service and a new layaway policy are still part of the plan. (The chain even hired Milton Glaser, known for designing the I love N.Y. logo, to design its in-store signing program.)

A front-of-store area is designated for seasonal and clearance merchandise. Household chemicals, located along a rear wall, are stacked out in cut cases.

New layout features of the prototype store include:

- A "home world" area relating an expanded domestics department with furniture, housewares and consumer electronics;
- A "children's world" with an expanded infants/toddlers department

(Continued on page 63)

Narrow, but deep, assortments with goods displayed high on walls complemented by four-color graphics are part of the store changes at Gold Circle's new prototype in Springdale, Ohio.

Costco Challenges Price Club

LA Warehouse Club Market Boils

SEATTLE — The thermostat on the membership warehouse clubs in the Greater Los Angeles Area is rising fast. It now registers "hot," but with the entry of Costco, it may soon reach "boiling."

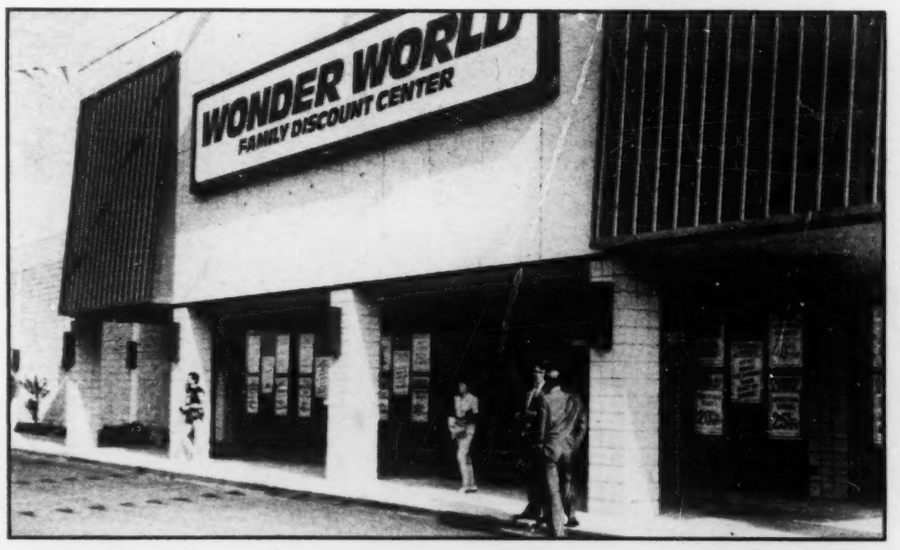
By year's end, Costco will open in Riverside (60 miles east of Los Angeles), and The City of Industry (30 miles east of Los Angeles).

Seattle-based Costco thus becomes the third chain to challenge Price Club for market share in the Los Angeles market. The other two: Price Savers, a Kroger subsidiary, based in Salt Lake City, and PACE, headquartered in Aurora, Colo.

In its first two stores in the Los Angeles area, Costco will go head to head with Price Savers in The City of Industry (which will open a store there early next year), and PACE in San Bernardino (also opening early next year). San Bernardino is 21 miles from Costco's Riverside unit.

In 1987, Costco will open four or five stores in Southern California, most of them in the Los Angeles area, and three or four stores in Northern California, according to Jim Sinegal, Costco president.

(Continued on page 63)



Pay Less will be converting several ailing K marts in the Southwest, as well as acquired TG & Y's, to resemble this Wonder World prototype, which opened in Bozeman, Mont. in August.

Heck's Buyout Proposed

NEW YORK — The investment group proposing to take over W. Virginia-based Heck's for $145 million, would continue operation of the discount store chain, and keep most existing management in place.

Robert I. Toussie, who is leading the New York investment group of Edward A. Viner & Co. in the buyout offer, said despite Heck's recent financial troubles, the chain can achieve a profitable turnaround. He also rejected con-

(Continued on page 59)

MAGIC Show Draws Men's Wear Buyers

Nationwide DSN Report

Men's and boys' wear buyers are headed to Los Angeles at presstime, in search of color direction for next year.

Their destination is the spring Men's Apparel Guild in California (MAGIC) show, which is expected to blend safari (Out of Africa) influences with the latest prints on tops and shorts of all lengths.

Although Spring '87 is the theme of this month's showcase, last minute buys for holiday '86 topped most shopping lists.

"We've left ourselves open for for the Holiday. We're buying closer than ever," said Joe Ettore, soft lines vp at Jamesway.

Color is the key usually found at MAGIC, "with everyone copying the specialty stores' assortments that now are built around color," Ettore said.

For spring buyers can expect to see brights: jade, yellow and coral added to the usual royal and red.

Ailing K marts Reincarnated As Pay Less Wonder Worlds

By LOUIS KARNEY

WILSONVILLE, ORE. — Pay Less, the 225-store superdrug chain owned by K mart, has embarked on a rescue mission by converting ailing midsize K marts to Wonder Worlds in the Southwest.

By the end of 1986, Pay Less will have completed 12 K mart conversions. In addition, Pay Less is mapping the same route for acquired T G & Y stores, with six scheduled for conversion by year end. They are expected in Texas, Oklahoma, Colorado and Arizona.

Wonder World is a hybrid, embracing three elements: the wide assortments of drugstore merchandise of Pay Less' conventional stores—but without pharmacies; the promotional approach of Value Giant, Pay Less' deep discount drug store, and an apparel department with lower price points than K Mart.

Pay Less has closed its Value Giant division and placed its Key Drug operation (downsized versions of Pay Less stores) on the back burner.

At peak, there were only

(Continued on page 63)

Off-Price Apparel Chain Census —pages

SPARC Awards Banquet Honors Vendors

38th Annual AGMC Convention —page 48

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Builders Square Expands With 25 Mr. HOW Units

SAN ANTONIO — Builders Square's expansion plans got a big boost with the acquisition of 25 operating or planned Mr. HOW stores in two separate deals made with cataloger Service Merchandise.

Currently operating 56 stores, Builders Squares expects to end the year with 92 units.

The Mr. HOW acquisitions allowed Builders Square to expand into five new markets this year and will give itanother new market entry in 1987.

The deals also raised the number of Builders Square outlets in Florida to 12, making the Sunshine State the second largest trading area for K mart's warehouse home center subsidiary. Illinois has 18 Builders Square stores.

In its second Mr. HOW acquisition of the year, Builders Square bought 12 operating Mr. HOWs in Augusta, Ga., Columbus and Reynoldsburg, Ohio, Hampton and Virginia Beach, Va., the Greater Philadelphia area (Langhorne, Pa., and Turnersville, N.J.), and Melbourne, Tampa, and Miami (Coconut Grove, Davies and Green Acres).

It also bought four units still under construction in Montgomery, Pa., and Evesham Township, N.J., both part of greater Philadelphia, and Lakeland and Largo, Fla.

Earlier this year, Builders Square acquired nine Mr. HOWs construction sites: four in Chicago, two each in Denver and Indianapolis and one in Springfield, Mo.

NMRI Claims Imports Demarking Would Injure Discounting Industry

WASHINGTON — Federal proposals to require the elimination of trademarks on all "gray market" imports would drive up prices to consumers, insulate foreign manufacturers from competition, and seriously injure the U.S. discount store industry, the National Mass Retailing Institute warned Customs Service officials.

In a formal position statement attacking the agency's plan to mandate the "demarking" of parallel imports, NMRI Government Relations vice president Robert Verdisco argued that such a requirement would close off competition from gray market goods altogether "thereby permitting foreign manufacturers to charge U.S. consumers high prices without benefit of competition."

In contrast to claims by gray market opponents who contend that the removal of trademarks on unauthorized parallel imports is needed to protect the public from misrepresentations, Verdisco maintained that "demarking would add to consumer confusion" since shoppers "would have no knowledge of the identity of the manufacturer."

Indeed, the NMRI official warned Customs, "demarking could lead to further counterfeiting of goods, making it easier for flim-flam artists to offer a phony version of a legitimate product without disclosure of the trademark."

The parallel import demarking scheme surfaced earlier this summer as one of two new "policy options" advanced by the Customs Service to resolve complaints by manufacturers about its current policy of permitting importation of gray market goods.

As an alternative to requiring the removal of trademark information from parallel imports, Customs also is seeking

(Continued on page 59)

Anti Price Fixing Measure Could Aid Discounter Cases

WASHINGTON — Controversial new legislation designed to make it easier for discounters to win resale price fixing cases against manufacturers is generating strong support in the House.

The bill, introduced by Rep. John Seiberling (D-Ohio), effectively would reverse key portions of the U.S. Supreme Court's landmark 1983 *Monsanto* resale price maintenance ruling — a decision that critics claim imposes "a virtually impossible standard of proof" on victims of Fair Trade-style retail price maintenance (RPM) conspiracies.

In that case, the court upheld the continued *per se* (automatic) illegality of resale price maintenance agreements, but at the same time established a standard of evidence for such disputes that all-but requires retailers to produce a "smoking gun" in order to obtain damages from a price-fixing supplier.

Specifically, the high court ruled in *Monsanto* that a manufacturer's termination of a discounting retailer in response to pricing complaints from competing dealers is insufficient to imply the existence of a conspiracy to fix resale prices.

Charging that this decision injected "unnecessary confusion," Seiberling told Congress that "circumstantial evidence...is often the sole means for a jury to ferret out well-

(Continued on page 59)

Follows Edwards' Resignation

Bush Selected as Rose's President

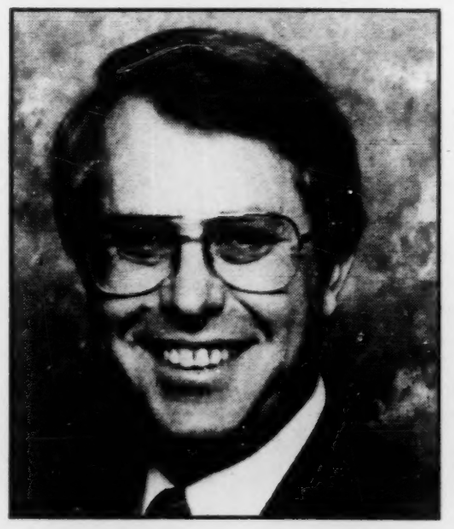
HENDERSON, N.C. — Jack E. Bush has been elected president and chief operating officer of Rose's Stores following the resignation of Jack Edwards from that post last month.

Bush had been Rose's senior vice president of operations and customers before this appointment.

His background includes five years of service with Zayre Corporation as vice president. Bush had also held a variety of home office and field positions with the J.C. Penney Company over a period of 22 years.

Edwards left Rose's on Aug. 4 to assume the post of president and chief executive officer for the Wickes Company's two home center operations, Builder's Emporium and Home Centers West.

In addition to Bush's promotion, J.M. Shuster, formerly manager of systems development at Rose's has been appointed company controller.



Jack E. Bush

Separately, Rose's has announced a Nov. 25, 1986 stockholders meeting to consider changes in the company's Certificate of Incorporation. Alterations in the certificate are necessary due to new laws in Delaware, where Rose's is incorporated.

The changes in the certificate are related to the liability of the members of the board of directors.

Shareholders will also be asked to approve an increase in the number of authorized shares of both classes of stock from 15 million shares to 30 million shares each.

The company recently announced a two-for-one stock split on both the voting common and non-voting Class B stock for shareholders of record Sept. 12, to be paid Oct. 15, 1986.

Zayre Reorganizes Top Level Executives

FRAMINGHAM, Mass. — Zayre Corporation has announced the reorganization of its top level personnel designed "to reinforce senior levels of management," at its various operating divisions.

Malcolm Sherman has been named to the newly-created position of chairman, Zayre Stores, a spokesman said.

Replacing him as president of the discount store operation is Stanley Adler, formerly president of Hit or Miss, Zayre's off-price junior apparel chain.

Raymond Wysocki has been promoted from senior vice president, general merchandise manager of Zayre discount stores, to executive vice president, general merchandise manager.

John Levy, formerly executive vice president of Zayre Stores has been named to the newly-created corporate post of group executive, responsible for Zayre's Home Club and BJ's Wholesale divisions.

Ben Cammarata, formerly president, T.J. Maxx, has been named chairman of that division and group executive responsible for T.J. Maxx, Hit or Miss and Chadwicks of Boston, Zayre's mail order division.

Dick Lesser, who had been senior executive vice president of T.J. Maxx will replace Cammarata as president of that division.

QUIZ

The DSN Quiz, testing your knowledge of news and trends in discount retailing covered in our previous two issues, appears on this page monthly. Check your answers with the key on page 63.

1. What percentage of the total jeans market would Lee and Wrangler capture should the merger of their parent companies materialize?
a) 50%;
b) 25%;
c) 35%.

2. Consumer electronics retailer Crazy Eddie is testing new waters with:
a) the opening of its first Boston store;
b) a replacement of its current television spokesman;
c) its entry into broadcast retailing.

3. Which category is being eliminated in the revamping of S. E. Nichols' hardware department?
a) lumber;
b) paneling;
c) electrical.

4. Service Merchandise is reinforcing its commitment to its showroom business by selling its Mr. HOW warehouse home center division and:
a) launching its own credit card operation;
b) opening 50 new catalog showrooms this year;
c) focusing on jewelry and home goods alone.

5. This man was recently named president and chief operating officer of K mart Corp.:
a) Jack Shewmaker;
b) Joseph E. Antonini;
c) John Kresge Jr.

6. Xxtra Special/Modern Woman's growth strategy includes all but:
a) adding petites to the assortment;
b) continued East Coast expansion;
c) increased use of private label.

7. Manufacturers at the hardware show displayed new gas grills:
a) with triple burners;
b) in pastel colors;
c) in neon brights.

8. Montgomery Ward has agreed to share selling space in its Gaithersburg, Md. store with:
a) Kids Mart;
b) Child World;
c) Toys "R" Us.

9. College students spend the greatest portion of their discretionary dollars, according to Student Watch *'86, on:*
a) food and movies;
b) clothing and health and beauty aids;
c) rock concerts and records.

10. By Land and By Sea Distributors Inc. corporation was recently formed to:
a) take over the Sunset Sports chain;
b) purchase the O. G. Wilson catalog showroom chain;
c) open an off-price hunting and fishing chain.

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Off-Price Chain Census

National off-pricer Marshalls (top left) is rolling out a prototype featuring mini-shops. Massachusetts-based Filene's Basement (top right) is aggressively expanding and plans to take its neon signing and retail stocks to the Midwest. Designer Depot, (bottom) owned by K mart, is expanding with scaled-down stores.

Off-Price Apparel Chains Focus On Specialty Segments

DSN Nationwide Report

The off-price apparel industry is developing into a group of sharply focused chains, each with a corner of some specialty segment.

The line-up of surviving off-pricers includes chains focused on almost every niche of the marketplace: Multi-classification family stores, trendy juniors shops, kids' wear outlets and a new crop of stores targeted at the large-size female customer.

Although industry growth is slowing, (Management Horizons projects 17% to 19% annual gains through 1990), competition is unrelenting. Off-pricers go up against each other as well as the full-markup specialists in markets already saturated with retailers. Chains are still racing to update formats and open stores in new regions.

In the children's wear business, for example, Woolworth's California-based Kids Mart chain and the New Jersey-based Kids "R" Us (a division of Toys "R" Us) came face-to-face in Chicago for the first time this year.

Kids Mart stores are physically smaller than Kids "R" Us with assortments restricted to sportswear. Nevertheless, the two chains are after the same business and each are pegged by their parent companies as potential national chains.

Kids Mart president Ronald Berens said it is too early to evaluate the situation in Chicago but added that management is definitely monitoring the competitive impact. Kids Mart, which will end the year with 280 stores and projected sales of $140 million, is destined to meet Kids "R" Us again when it tackles Northeastern markets in 1988.

This year, the list of off-pricers similarly charting a national presence far outstrips those likely to fall by the wayside.

Ashby's, the 33-unit ladies' off-price operation, owned by the troubled Best Products catalog chain is the only existing off-pricer expected to fold by the end of this year.

On the other hand a host of off-price chains are building a national network.

California-based Ross stores has strengthened its East Coast presence this year. The chain landed in the Washington/Baltimore area, North Carolina and South Carolina and also plans to increase its store count in Florida this year. Next year, the expansion rate of the family apparel chain will slow as it adds about 30 stores.

ClothesTime, also headquartered on the West Coast, is planning to have its juniors-oriented format nationwide by 1990 with more than double its current 235 stores. That chain's five-year plan targets 500 stores and $500 million in sales by the end of the decade.

Dress Barn, headquartered in the Northeast, is planning to double its store count by 1990 as it intensifies its stake on the West Coast. In January, there were six Dress Barns in California.

Since then, the chain has moved into Seattle

(Continued on page 16)

OFF-PRICE APPAREL CENSUS

Off-Price Apparel Chains Carve Out Specialty Segments

(Continued from page 14)
and Oregon. Chain president Elliot Jaffe emphasized that the chain's future growth will be primarily in the western markets. Dress Barn's assortment targets career women aged 18 to 40.

At least two off-price chains for large size women are moving toward becoming national. The 23-unit California-based Xxtra Special/Modern Woman was slated to open eight stores on the East Coast this year. The first two eastern stores debuted under the Modern Woman name in Nanuet, N.Y. and Cherry Hill, N.J. last month. The long-range plan for that operation is about 25 openings a year.

The Answer, a division of Virginia Specialty stores, is likewise headed for national stature. That chain was pegged to have 50 stores by year-end and 100 by the end of 1988. Those large-size outlets are planned for five-unit clusters in various major cities.

While the narrowly focused formats are rolled out, larger established family apparel off-price chains are being updated. Marshalls and T. J. Maxx are both polishing up their chains with new prototypes that use freestanding walls to create shop concepts.

Marshalls' new look was unveiled in April. That included "The Garment District" shop for missy fashions and "the California Shop" for juniors. Domestics and giftware were totally separated into a Home Warehouse. Close to 50 stores should have that presentation by the end of the year.

T. J. Maxx introduced its latest prototype in 1985. By year-end about half of the chain should match that look.

T.J. Maxx headed toward 284 stores tackled the West Coast for the first time this year with a store opening in Portland, Ore. last May and another in Seattle this fall. Chain president Ben Cammaratta sees potential for 50 stores on the West Coast.

Burlington Coat is strengthening its claim to the outerwear business with expanded fur coat deparments being rolled out. That chain is also expanding into new territories with its family clothing format. (See separate story on page 3.)

Meanwhile, there are still some healthy regional off-pricers out there. Daffy Dan's, Filene's Basement, Bankers's Note are among them.

S&K Famous Brands, a men's wear off-pricer operating primarily in the Southeast will end the year with 489 stores. After the first half of this year the chain's sales were up by 21% and earnings were up by 89%.

In the Northeast, Olivers, a 30-unit family store, reported sales of $30 million for the year ended June 30, 1986, up from $19 million the year before. The company is projecting a volume as high as $50 million for the current fiscal year.

Olivers will end the calendar year with about 34 stores and could add 18 to 30 stores during 1987, said Joe Wolfer, ceo of the chain.

Leading Off-Price Retail Chains

Chain	Volume: Last Completed Fiscal Year	Volume: Previous Fiscal Year	Store Counts: 1/85	Store Counts: 1/86	Store Counts: 1/87	To Be Added In '87
Marshalls (Mass.)	$1,324	$1,190	209	236	266	30
T. J. Maxx (Mass.)	850*	636*	156	191	284	35
Ross Stores (Calif.)	376	211	66	107	150	30
Burlington Coat (N.J.)	352	310	68	74	92	7
Loehmanns (N.Y.)	323*	308*	72	81	93	10
Hit or Miss (Mass.)	300*	291*	401	428	472	50
Sizes Unlimited (N.J.)	254	281	349	293	239	N.A.
Sym's (N.J.)	215	204	14	15	19	3
Filene's Basement (Mass.)	213	189	15	17	23	10
Designer Depot (Mich.)	156	131	52	73	93	20
Dress Barn (Conn.)	135**	103	157	186	250	65
Clothestime (Calif.)	126	98	155	190	262	90
Kids Mart (Calif.)[a]	101	73.4	167	211	280	80
NBO (N.J.)	67	55	16	19	23	N.A.

*DSN estimate, **for year ended July 31, 1986; [a]includes 10 Little Folks Shops

Source: DSN research

Burlington Coat Tackles New Strategies to Promote Sales

(Continued from page 3)
New Jersey area, featuring various items. Viewers are informed of store locations where they can purchase the merchandise or can telephone orders for home delivery, said Milstein. The commercials are expected to reach 13 million homes, he said.

Other independent television stations being reviewed by Burlington include WGN in Chicago and WTBS in Atlanta.

The 13-week commitment is a means of experimenting "relatively inexpensively," said Milstein. "It will cause increased business for our stores and open a new doorway for doing business."

If the television advertising venture succeeds, the chain may also test direct response advertising through catalog sales, he added.

Burlington's recent aggressive approach towards new merchandising strategies comes when the chain is satisfied it understands who its customers are and how demanding they are of store environment.

Although the stores sell moderate- to better-priced merchandise, Milstein long has maintained that store ambience is far down on his list of priorities.

There is no chainwide consistency, for example, in the types of fixtures used. The first Burlington store opened still uses its original piperacks, while some stores have chrome racks purchased from the original occupant of the retail space.

"Some stores have better chrome fixtures because it was cheaper to buy chrome racks from others that went out of business," he said. "We let the consumer decide if he wants to buy the merchandise or the fixtures."

The chain already works on a very small margin to keep prices down, he said. Burlington pays more for its merchandise than some other off-pricers because 98% of the mix is bought direct, rather than on closeout, he said. More than half, or 56% of the business is in outerwear, excluding furs. The next highest volume category is men's wear.

Despite the concentration on value and price above customer service, the company is aiming to strengthen store employees' merchandising skills. Recently, Burlington began testing an educational program for store employees in Paramus and Pinebrook, N.J. Cassettes reviewing information on merchandise and covering current styles are distributed to the stores. Area supervisers will be appointed to oversee the program if it is spread chainwide.

As it gears up for end-of-year sales, Burlington will step into at least two new markets, including Salt Lake City and Baltimore.

The chain also will fill in existing markets. At presstime, second stores were slated for the St. Louis area and Memphis, and two stores were to be opened in Pittsburgh and Buffalo, N.Y., for a total of three in each of those markets. In addition, a third unit was scheduled for both Long Island, N.Y. and Atlanta, while a fourth unit was to open in the Fort Worth area, and one unit was to open in Secaucus, N.J., the fifth in that state.

Last fall, Burlington opened single stores in Denver and Columbus, Ohio.

"We don't really have prototypes," said Milstein. "We make propitious buys in real estate locations. Burlington has always been flexible. (We'll open) in strip centers, malls, former supermarkets, warehouses, department stores—so we're able to take advantage of good locations.

"We're a destination shopping point. As long as we have good visibility from the highway and good parking, they'll come to us."

Because Burlington draws its customer base from a 25 mile radius, rather than the immediate surrounding area, the local population or income level isn't a factor in choosing a site. For example, in the Wilkes Barrie, Pa. area, which has a population of 75,000 people, the Burlington store has sales of $8 million per year, about a third higher than the average Burlington store sales volume of around $6 million annually.

Girls' back-to-school fashions in Burlington Coat Factory, Paramus, N.J., included solid and wildly colorful fleece pullover and zipper tops and shaker knit sweaters. (DSN *photo*)

Tapping Trends is Key to Increase Ethnic Hair Care Volume

By CHARLES BOWLUS
Vice President,
Boston Distributors

The phenomenal growth displayed by the ethnic health and beauty aids department in the past has slowed somewhat so far in 1986, but I still expect the year will close with overall volume 10% above last year's.

While a 10% increase is significant, it is markedly lower than the 28% jump the industry enjoyed during 1985.

Discounters especially will feel the impact of decreased growth rate as their portion of the business continues to dip.

Discounters had 8% of the ethnic business in 1985, down from 10% in 1984 and 18% in 1983, reported the American Health & Beauty Aids Institute.

During the same three years, drug store chains were responsible for from 54% to 64% of ethnic unit movement, with food stores at or near the 30% level.

The narrower growth rate is due primarily to changing hair style fashions and the reduced maintenance these styles require.

Growth areas in ethnic lines include relaxer kits, as well as new lite line product introductions, and sales of both reflect the trend away from curls.

The move away from curly hair styles has been the major factor in this category's reduced sales performance.

While curly styles need frequent moisturizer and activater applications—up to four or five moisturizer and two or three activater applications each day during the hot summer months and somewhat fewer in cool weather—relaxed styles don't need the same number of applications for maintenance.

This means users don't need to buy as much product to keep the style they want, which causes the sales volume to taper off.

Discounters can expect that relaxed hair styles will remain popular for the balance of 1986, and maybe into the early part of next year.

I believe that the fashion pendulum will swing back to curly styles eventually. The movement will be fostered by the marketing efforts of ethnic H&BA vendors trying to restimulate the popularity of the curly hair styles.

In spite of the fact that more people are choosing relaxed hair styles, hair curl products still dominate the product movement audit (PMA).

Soft Sheen's Carefree Curl line remains the top brand with the 16 oz. moisturizer the number one item.

Carefree Curl, the strongest national selling brand, placed seven stock keeping units in our top 15 listing.

Sof 'N Free, from M&M Products, ranked No. 2 with its 16 oz. moisturizer and placed three sku's on the listing.

Dark & Lovely kits, in regular and plus formulations, are our top selling relaxers, with Johnson Products' Gentle Treatment kit as the other relaxer on the top 15 list for the first six months of this year.

Dark & Lovely, which hadn't even ranked on the top 15 list a couple years ago, has steadily worked its way up.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	ETHNIC PRODUCTS			
1	Carefree Curl Moisturizer 16 oz	44,950	4.91	220,705
2	Sof-N-Free Curl Moist Spray 16 oz	36,486	4.06	148,133
3	Dark & Lovely Relaxer Kit	16,188	5.78	93,567
4	Carefree Curl Moisturizer 8 oz	32,544	2.82	91,774
5	Carefree Curl Activator 16 oz	16,338	5.38	87,898
6	Carefree Curl Moisturizer 12 oz	20,123	4.04	81,297
7	Carefree Activator & Moist Twin 12 oz	13,152	5.14	67,601
8	Carefree Curl Activator #2 8 oz	17,586	3.08	54,165
9	Right On Moist/Act Norm #53 16 oz	9,727	5.55	53,985
10	Luster S Act/Moist Reg 902 16 oz	10,053	4.95	49,762
11	Gentle Treatment Relaxer Kit	6,636	7.10	47,116
12	Worlds of Curls Gel Act Ext Dry 32 oz	6,132	7.61	46,665
13	Sof-N-Free Curl Activator 16 oz	9,592	4.65	44,603
14	Carefree Curl Activator #2 12 oz	10,032	4.27	42,837
15	Sof-N-Free Curl Moist Spray 8 oz	11,887	3.17	37,682

Source: Boston Distributors, Maple Heights, Ohio, for January through June, 1986. The company supplies 1,200 stores, including over 650 discount department stores in 23 states. Average retail prices reflect typical price points for discount stores.

New lite offerings, while still fairly new, are starting to pull sales away from traditional formulas.

For instance, TCB has introduced a new lite line that consists of five products: a moisturizer, activator, gel activator, conditioner and intensive hair conditioner.

Although none of these products has approached the volume of the top 15, they have been pulling down sales of the ethnic hair care leaders.

Hair colorings also are coming back into vogue, primarily due to the marketing efforts of Dark & Lovely. The company has taken a tremendous stake in terms of advertising and packaging. The result has been greater consumer acceptance and awareness and an expanded market.

Because the company has laid the groundwork, other manufacturers such as Revlon are entering the ethnic hair coloring business, recognizing the increased viability of this product line.

While hair colorings have grown in popularity, hair accents or highlights haven't. One example is Soft Sheen hair accent, which showed very poor performance.

Discounters should remember that while basic shampoos change faster than just about anything else in their general H&BA department, all ethnic lines change twice as fast.

Smart mix selections and sharp pricing can double your business within six months if you haven't already dedicated yourself to learning about the ethnic industry.

A couple years ago, one major East Coast discounter we work with increased its ethnic volume from $100,000 to $198,000 from January to June. What it took was fewer sku's, more facings and a 10% cut in prices.

The black population was reported to be at 29 million in 1984, according to the U.S. Census Bureau. With this figure rising, and the number of working women and children within that population making up a larger part of the whole, discounters might do well to re-evaluate the space—as well as managerial thought and effort—devoted to the ethnic segment of the health and beauty aids category.

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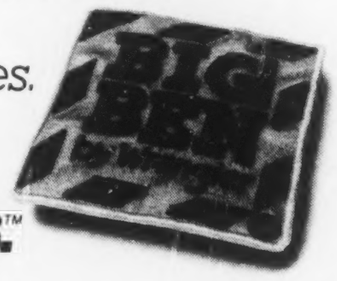

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Wal-Mart, Supermarket Test 'Hypermarket' Idea

BENTONVILLE, Ark. — Wal-Mart has teamed up with a Texas supermarket company to test a new discount store format: huge full-line hypermarket-type units to be called Wal-Mart Super Centers.

Industry observers suggested that Wal-Mart would position the proposed 150,000-sq.-ft.-plus stores as one-stop shopping centers in major metro markets. They would be the consumer counterpart to the businessman-oriented Sam's Wholesale Clubs that company executives had previously described as a "metro market strategy" for Wal-Mart.

Traditional Wal-Marts were a small town strategy, the executives said.

The discounter and Cullum Cos., a Dallas-based supermarket and drug store operator, have reached an agreement in principle to set up a jointly owned venture called Wal-Mart Super Centers Inc. to run the proposed combination food and general merchandise stores.

Executives of both companies said it was premature to

(Continued on page 125)

K mart's 5-Year Expansion Focuses on Specialty Chains

TROY, Mich.— Diversification is the key to K mart Corp.'s long-range expansion plan, which would add 150 discount stores and 840 specialty stores to its lineup by 1990.

With that in mind, K mart president Joseph Antonini told a group of analysts here that the corporation's projection to have 18% of sales generated by its specialty divisions by the end of the decade "is still very conservative."

On the specialty chain front, the corporation's five-year plan calls for opening 250 more Pay Less Drug Stores in addition to its current base of 192; adding 130 Builders Square stores to the existing 56 units; expanding the 986-store Waldenbooks chain with 360 new stores; and opening 100 Canadian Bargain Harold stores.

K mart's specialty operations also include the Designer Depot off-price operation and its two cafeteria chains, Furr's and Bishop's.

K mart will add 4,000 sq. ft. of selling space to apparel areas in 800 of its stores over the next five years as part of the push to improve overall productivity. (Shown is Southfield, Mich.)(DSN photo)

Store expansion opportunities are obviously much slimmer for the giant 2,200-unit discount store chain. The push to get better productivity out of existing stores will see apparel sections expanded by 4,000 sq. ft. in 800 of K mart's metropolitan market stores.

Broader assortments in such "power departments" as

(Continued on page 126)

Hyundai Drives Computer Rebirth among Discounters

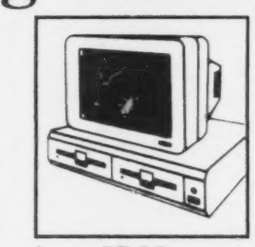
By MARY ELLEN KELLY
Nationwide DSN Report

Can you imagine getting behind the wheel of your low-priced Hyundai, driving to the local K mart and buying a low-priced Hyundai IBM-compatible PC?

This scenerio could come true.

Low-priced, IBM-compatible computers like the new Hyundai model seem to be sparking a rebirth of the home computer market in all kinds of retail outlets.

Caldor and Target have already gone chainwide with the recently introduced Hyundai



Blue Chip PC, and other discounters have also voiced interest in getting into IBM compatibles.

Catalogers Best Products and Service Merchandise as well as one chain, The Federated Group, have said they are currently considering adding IBM-compatibles personal computers to their assortments.

While the mass merchandiser shows promise of becoming

(Continued on page 126)

4th Annual Manager Survey

Top Brands Increase Share

Nationwide DSN Report

Many of discounting's most important brands increased their dominance in 1986, according to the views of store managers.

In the fourth annual *Discount Store News* Top Brands study, managers of both conventional and upscale discount stores were asked to name key brands in 17 merchandise categories. There were few changes among the very highest-ranking brands, but several of the most respected names significantly improved their already-high 1985 results.

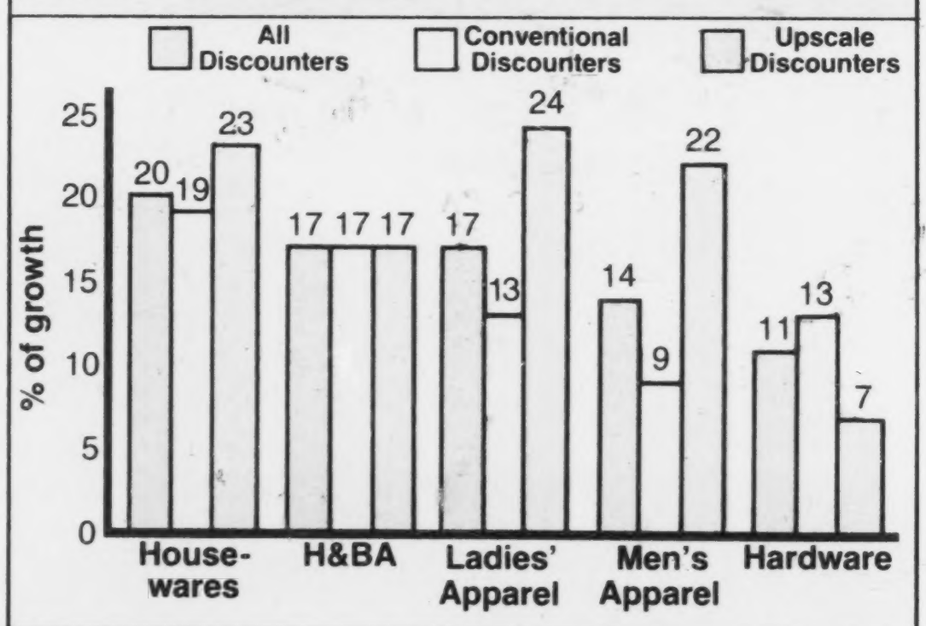
Brands that were already runaway favorites in 1985 in many cases actually increased the distance between themselves and runners-up.

In addition, in some of the 17 categories, lower ranked brands showed gains in popularity, displacing some of last year's weaker names.

Among the biggest winners in 1986 were both Black & Decker and Stanley in hardware, Kodak and Polaroid in photography, Rubbermaid in housewares, Crest and Colgate in health and beauty aids, St. Mary's in domestics and Maybelline in cosmetics.

(Continued on page 23)

Top Five Departments for Brand Growth



Source: DSN/Leo J. Shapiro & Associates

National labels made their greatest inroads this year in housewares, H&BA, according to a nationally projectable DSN survey of store managers. Of those polled, about 1 in 5 said branded merchandise grew in these areas more than in any other department.

Industry-Wide Group

NMRI to Swallow AGMC

NEW YORK — The National Mass Retailing Institute (NMRI) and the Association of General Merchandise Chains (AGMC) plan to merge and form a trade group that will represent the entire mass merchandising industry.

The NMRI will be the surviving organization and is considering a name change once the merger in completed by about the end of the year, said Richard Hersh, NMRI president.

Two major AGMC members, K mart Corp. and McCrory Stores, have already

Borda

Hersh

committed themselves to joining the NMRI, he said.

There was little overlapping of retailer membership between the 114-member NMRI and the approximately 40-member AGMC. The

(Continued on page 125)

Wholes... Innovat... —page ...

...how: Men's ...ess splashy

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McCrory Plans a 'Rapid' Phaseout of T. G. & Y. Name

YORK, Pa. — The names Rawdon E. Tomlinson, Les Goslin and Raymond A. Young once held a prominent place in discounting, with their initials, T. G. & Y., splashed across the front of 748 stores. By year-end, the initials will have been totally replaced by McCrory variety stores.

McCrory's parent company, Rapid-American, bought the T. G. & Y. chain for just over $300 million from a group that negotiated a leveraged buyout from T. G. & Y.'s parent company, Household International last December.

As a result of the acquisition, McCrory has rapidly grown from a chain of about 720 variety stores to approximately 1,250. The converted stores will have either the McCrory Stores or J.J. Newberry Stores name, depending on store location.

McCrory expects to have converted 511 former T. G. & Y. stores by the end of the year. More than 200 other stores have been sold to chains like Wal-Mart or

McCrory is moving quickly to convert the 511 T. G. &Y. stores it acquired into McCrory and J.J. Newberry variety stores. The work is expected to be finished by the end of 1986. (DSN photo)

closed. The decision on which stores to convert to a variety format and which to sell or close was based on store size and location, said a McCrory spokesman.

The ideal size for a McCrory store is 20,000 sq. ft., but some former T. G. & Y. stores that were larger have been downsized and the space subleased.

To bring T. G. & Y. assortments in line with the McCrory mix of merchandise basics and staple goods, categories like consumer electronics, arts and crafts, automotive and sporting goods have been scaled back substantially, a McCrory spokesman said. Fabrics in the piece goods section have been replaced with sewing needle and thread in the notions department.

McCrory has stores from

(Continued on page 125)

Stuarts' Cammarano Resigns as President

HOPKINTON, Mass. — Discounter Stuarts Department Stores Inc. has announced the sudden resignation of company president Paul Cammarano.

Chairman Mark Ostrow immediately assumed responsibility for the president's post, pending the appointment of a new Stuarts' head.

Ostrow told *DSN* he expects to have selected a new president by year-end. He has several candidates in mind for the post, most of whom are outside the company, Ostrow said.

When asked about the reasons for Cammarano's abrupt departure and whether he'd had any indication that Cammarano was planning to leave the company, Ostrow reiterated the official Stuarts release, stating that Cammarano had left to pursue other business interests.

At the same time, the chain's stock had plummeted to under $8 as of October 1, from more than $15 at the end of August.

The discounter reported a drop in income for the second quarter, ended Aug. 2, to $284,138 from $434,944 for the period a year ago.

However, sales topped $28 million for the quarter, compared to $22 million for the same period in 1985.

Ostrow cited a "slightly promotional environment" in Stuarts market areas as reason for lowered earnings.

(Continued on page 126)

Pay Less Will Shift Priority to T.G.&Y.s

WILSONVILLE, ORE. — Despite the urgency in rescuing ailing mid-size K marts by converting them to Wonder World, Pay Less NW has reversed priorities for the rest of the year. K mart conversions are being slowed in favor of T.G. & Y.

As a result, only three K marts will be converted by year-end, while 11 T.G. & Y conversions will be opened by the end of November, 1986.

A Pay Less exec says that "T.G. & Y. was a one-time opportunity and we had to move fast." He adds that there will be an upsurge in K mart conversions during the first half of 1987. However, he said that store numbers are not available at this time.

Both K mart and T.G. & Y.'s are in the same size range, with mid-size K marts at 50,000 sq. ft., and T.G. & Y. at 50,000 to 55,000 sq. ft. Neither has pharmacies.

The first K mart conversion, opened in Palestine, Texas (200 miles south of Dallas) in August. The second is opening this fall in Nacogdoches, 75 miles east of Palestine.

The first T.G. & Y. conversion will be in San Benito, Texas, late October or early November. San Benito is 25 miles north of Brownsville and 30 miles west of South Padre Island, a winter resort similar to Miami Beach.

Although the first two K mart conversions are in shopping centers, most will be freestanding. As for T.G. & Y., shopping center and freestanding locations are evenly divided.

Both K mart and T.G. & Y. conversions are centered in the southwest. However, K mart will concentrate primarily in Texas and Oklahoma, while T.G. & Y. encompasses five states: Texas,

(Continued on page 126)

Waldenbooks Institutes Promotion With National Credit Cardholders

STAMFORD, Conn. — Waldenbooks is taking a chance credit cardholders read more than the balance due on their monthly bills.

In August, Waldenbooks inserted three 10%-off coupons in Citibank MasterCard and Visa monthly mailers good for all purchases except discount offers, magazines and gift certificates. The coupons, which reached eight million cardholders nationwide, are valid through the end of October.

At press time, 3,000 of the coupons were being redeemed per week, beginning the second week of August, a company spokeswoman said.

The cost of this first-time venture for Waldenbooks, a division of K mart Corp., is being paid for entirely by Citibank. The bookstore chain absorbs only the 10% discount.

Participating in this credit card mailing "helps increase our exposure, especially to the affluent customer," she said.

Citibank boasts the largest percentage of MasterCard and Visa cardholders, 30%, she added.

Also to Waldenbooks' advantage, the mailing included savings coupons from other companies targeting middle- and upper-income customers: the Limited apparel chain, Cunard cruises, Bailey Banks & Biddle Jewelers and Hertz car rental service.

If this approach succeeds, Waldenbooks will experiment with other direct mail promotions. These probably would be conducted on a regional basis, for example with banks or gasoline credit card companies, to better gauge purchasing habits around the country.

The chain already has committed itself to issuing coupons in Gulf credit card bills on the East Coast, although it has established no time frame for doing so.

America finds it at
Waldenbooks
CitiValues Coupon
Save 10%
Take 10% off a single purchase at any one of the 950 Waldenbooks stores nationwide. Just present your Citibank MasterCard or Visa card for identification along with this coupon for on-the-spot savings.
TERMS AND CONDITIONS
This discount is not valid with any other discount offer or on magazines or gift certificate purchases. This coupon will not be honored retroactively and cannot be redeemed for cash or credit.
Expires October 31, 1986.
CITIBANK

Pacific Stereo to Liquidate After Merger Proposal Fails

EMERYVILLE, Calif. — A plan by U.S. Electronic to take over up to 50 stores of the 64-store Pacific Stereo chain has fallen through and, as a result, Pacific planned to complete liquidation of its assets beginning early this month.

Pacific Stereo filed for Chapter 11 in May and disclosed $36.8 million in debts and $21.6 million in assets.

The Colorado-based U.S Electronic company announced an interest in reopening from 40 to 50 Pacific Stereo stores but was apparently unable to line up the necessary financing.

Paul Buxbaum, executive vice president of Buxbaum Ginsberg & Associates, the consulting firm that is handling the liquidation, said the decision on when to begin liquidating furniture, fixtures and store leases would probably be made October 2. Buxbaum said earlier clearance sales had disposed of all merchandise in the stores.

The liquidation process is expected to continue through the rest of the year. It will probably raise enough capital to cover priority claims, but unsecured creditors may get nothing, Buxbaum said.

Final Sales Signs Posted

Wickes Now Closes 65 Howard Units

MONROE, La. — Wickes took the first concrete step toward dismantling the Howard Discount Store chain by announcing Sept. 18 that 65 of the remaining 87 stores would immediately begin "Going Out of Business" sales. The stores are expected to be closed in November.

The other 22 stores are to continue operating indefinitely, said a Wickes spokesman. He explained that lease agreements made it more feasible to continue those store operations until the leases can be amended or the stores sold to another chain.

Although chains like Wal-Mart and Duckwall-ALCO have expressed interest in acquiring up to 20 Howard's stores each, no agreements have yet been announced, and the spokesman for Wickes said he could not comment on any ongoing negotiations.

Wickes has also announced 291 layoffs affecting Howard's staffers in corporate headquarters, the distribution center and the returns center. No layoffs have yet been announced at store level.

The decision by Wickes to close the stores follows months of negotiations with a Howard's management group led by former president and chief executive officer Jim Dismore on a leveraged buyout. Two offers from the Dismore group for the entire chain were rejected as was an offer for 45 stores.

On Aug. 5, Wickes announced it would begin liquidating the chain piecemeal unless an acceptable offer was made by the end of the month.

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Top Brands

Housewares, H&BA Lead in Growth of National Brands

Nationwide DSN Report

The move by major discount store chains towards greater national brand assortments continues to demonstrate growth in all categories, although there has been a shift in the departments experiencing the greatest growth.

Discount Store News' Fourth Annual Top Brands Survey shows almost 50% of the discount store managers polled nationwide said they carry more national brands now than they did a year ago.

In addition, 69% of managers predicted that national brands will contribute more to future store growth than store brands.

There was little discrepancy among conventional and upscale chains as 69% and 68% of the managers, respectively, said that national brands will contribute more to store growth.

Regionally, the study revealed that 88% of the store managers surveyed in the West said that national brands will contribute more to store growth than the stores' own brand.

The categories showing the strongest brand growth have shifted since the study began in 1983.

Housewares and health and beauty aids were named by store managers as the top two departments in which the number of national brands being carried increased over the past year. Twenty percent of the managers of all discounters cited housewares, while 17% named health and beauty aids.

In last year's study, housewares also was the top department cited by all managers as having the greatest brand growth. However, in 1985, only 14% of managers polled mentioned health and beauty aids as a category experiencing brand growth.

The move of housewares number one on the list indicates that efforts of major discounters to upgrade assortments and enhance the department's fashion appeal remains strong.

The appearance of health and beauty aids as the second ranked department indicates that discounters are continuing to develop and expand the category by improving brand assortments and pricing.

Although ladies apparel placed lower among all discounters in this year's survey, it was cited first among upscale discounters as the department experiencing the greatest name brand growth.

In ladies' apparel, 17% of all managers cited brand growth in the department, compared to 18% and a number two ranking in the 1985 study.

Since 1984, store managers have cited housewares as the department experiencing the greatest growth in brands. Chains, such as Gold Circle, are upgrading brand assortments. (DSN *photo*)

However, among upscalers, 24% (the highest percentage) of the managers polled named ladies' apparel the department where brands are growing. This compares to 15% of upscale discounters in last year's study.

Last year, conventional managers indicated greater brand growth (19%) in ladies apparel than in the 1986 study, when 13% of the group mentioned the department.

The men's apparel category followed the same pattern as ladies' apparel. Last year, 16% of the managers surveyed cited the category as a top department for brand growth.

In 1986, only 14% of all the managers polled named men's apparel a department experiencing brand growth.

However, like ladies' apparel, men's apparel was mentioned by 22% of upscale discounters as a department where brand assortment is growing. In 1985, only 20% of the upscale discounters said the department experienced brand growth.

Among conventional discounters this year, 9% of the managers, compared to 14% last year, said the department experienced name brand growth.

The trend to expand national brands is stronger among conventional chains, according to the study. For example, 83% of the conventional store managers polled, versus 74% of the upscale store managers, reported an increase in the number of brands carried in all departments.

In particular, 91% of all K mart store managers, versus 76% of all Target store managers, said they carried more branded merchandise in '86 than in '85.

This exclusive, nationally projectable study, which was prepared for *DSN* by Leo J. Shapiro & Associates, Chicago, was based on telephone interviews with 300 discount store managers from across the country.

The chains polled were K mart, Wal-Mart, Zayre, Target, Bradlees, Caldor, Venture, Gold Circle, Fred Meyer, Richway and Gemco.

National Survey Reveals Store Managers' Top Brands

Household Chemicals
Tide
Windex
Procter & Gamble
Lysol
Clorox

Housewares
Rubbermaid
Corning
Corelle
SilverStone
Anchor Hocking

Hardware
Black & Decker
Stanley
General Electric
Lucite
Skil

Photo
Kodak
Polaroid
Canon
Minolta
Fuji

Stationery
Mead
Bic
Papermate
Parker
Crayola

Sporting Goods
Wilson
Coleman
Spalding
McGregor
Zebco

Men's Apparel
Wrangler
Lee
Fruit of the Loom
Hanes
Levi's

Ladies' Apparel
Lee
Gitano
Wrangler
Chic
Levi's

Toys
Fisher Price
Mattel
Playskool
Coleco
Milton Bradley

Consumer Electronics
General Electric
Emerson
Panasonic
RCA
Sony

Food/Candy/Snacks
Planters
M&M
Hershey
Mars
Brach's

Domestics
Cannon
J. P. Stevens
St. Mary's
Springs
Kenney's

Automotive
Quaker State
Pennzoil
Fram
Prestone
Havoline

Children's Apparel
Garanimals
Wrangler
Lee
Curity
Garan

Personal Care
Conair
Clairol
General Electric
Vidal Sassoon
Norelco

Health & Beauty Aids
Crest
Colgate
Johnson & Johnson
Procter & Gamble
Revlon

Cosmetics
Maybelline
Revlon
Cover Girl
Max Factor
L'Oreal

Leading brands in 17 merchandise categories were named by store managers nationwide in a poll conducted for *Discount Store News* by Leo J. Shapiro & Associates.

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Many Important Brands Garnered New, Improved Ratings

(Continued from page 1)

Each of the brands were favorites with managers polled in 1985, but showed even more strength this year.

For example, among hardware brands, Black & Decker and Stanley have shared the two top spots on the list of 10 most-frequently cited names since the survey was begun. Last year, B&D was first with citations by 69% of the managers surveyed and Stanley second with 61%. The next most frequently-named brand was Glidden, far behind with a rate-of-mention of 15%.

In the latest survey, B&D scored with 78% of the managers and Stanley with 73%. The nearest competition was General Electric, cited by only one manager in 10.

Kodak achieved the only perfect score this year when every Wal-Mart manager selected it as a top photography brand. Overall, its 85% rate of mention made it one of the most dominant brands in any of the 17 categories.

The number two photography brand, Polaroid, however, actually showed the largest growth. In 1985, Polaroid placed second with a highly-respectable rating of 48%, 12 points higher than third-place Canon. This year the instant photography company pulled further away from the pack with 63%, compared to Canon's third-place finish at 41%.

In housewares, although its numbers were lower than Kodak and Black & Decker scores in their categories, Rubbermaid trounced all other brands in the survey.

A year ago, Rubbermaid led Corning by a margin of 39% to 21%. This year, more than half the managers—53%—selected Rubbermaid as a key name, while Corning still held second place at 21%.

SilverStone cookware, which failed to crack the list of ten top houseware brands last year, leaped to a relatively high fourth-place finish in 1986 with a 14% rating.

SilverStone's emergence on the list is a reflection of the importance of the industry's two biggest chains. While the brand's ratings at other chains were single-digit, 64% of Wal-Mart managers and 19% of their K mart counterparts provided the muscle it needed to make the top ten list.

Two toothpaste brands, Crest and Colgate, showed strong growth in the health and beauty aids category.

Crest finished fifth last year, only two points behind second-place Revlon, with a relatively-strong 23% rating. This year, its 32% rating propelled it to the top in the competitive H&BA category.

Colgate's numbers went from 16% last year—good for sixth place—to 24% and second place in 1986.

In domestics, St. Mary's put strong pressure on Cannon at upscale discounters, even though Cannon held a comfortable lead overall.

With 70% of conventional discounters selecting Cannon as a top brand, Cannon maintained it number one ranking with a 62% score. But Cannon slipped in the eyes of upscalers, dropping from a 57% rating in 1985 to 46%, while St. Mary's experienced a turnaround among upscalers.

Only 16% of the store managers in that discounting segment last year regarded St. Mary's as a significant domestics name. This year that rating nearly tripled to 44%, just two points behind Cannon.

For the second consecutive year, Maybelline stood head and shoulders above all other cosmetics brands, in the eyes of discounters. While it might have seemed hard to improve on its 1985 margin, Maybelline widened the gap between it and second-placed Revlon.

Maybelline boosted its rating three points to 81% while Revlon slipped three points to 51%. That Revlon's score would be enough to provide it with a comfortable lead in many of the 16 other categories only underlines the significance of the Maybelline rating.

Among other categories, seven out of ten brands in household chemicals did not appear on the 1985 list. Only Tide, Windex and the Procter & Gamble Company, the first three finishers, repeated from last year.

Lysol, which tied P&G for third place, Clorox, Fantastic, Dow, Pinesol, Formula 409 and Texize all boosted their ratings from one per cent or less to at least 7% and as high as 18% for Lysol.

Other significant results among top brands in 1986 included:

- A one-two finish for the second consecutive year for Mead and Bic in the stationery category.
- Wilson's 18-point gain in sporting goods, which propelled it above Coleman for the top spot. Wilson placed second last year with a 34% rating, jumping to 52% in 1986.
- Planter's moving into the top spot in food, candy and snacks even though candy brands continued to dominate the category.
- The continued dominance of Fisher-Price and Mattel in toys. The gap between these two top brands and third place, won this year by Playskool, narrowed slightly.
- The decline of Levi's to fifth from third place as a men's apparel brand.
- Gitano's moving from fourth place to second as a ladies' apparel name.
- A continued lack of brand recognition in children's apparel. Garanimals again was the highest-rated brand, but only one in five store managers selected it.
- Conair and Clairol managed to retain their one, two rankings among personal care appliances.
- Emerson strongly challenged General Electric for the top spot on the 1986 consumer electronics list. GE clung to first place, despite dropping two points to a 38% rating, while Emerson moved from third at 26% last year to second at 36%.
- Fram closed in on Pennzoil as the second most popular brand of automotive products. Pennzoil maintained its 35% rating, but Fram climbed from 20% last year to 31% in 1986. Quaker State still dominated the category, boosting its rating from 49% to 57%.

Health & Beauty Aids, as shown in this aisle display at Caldor, Secaucus, N.J., moved up two slots in the Top Brands study to become the No. 2 category experiencing brand growth. (DSN photo)

National Brands Growth by Outlet, 1983-1986

For the third year, housewares has been the department experiencing the most growth in name brands. H&BA continued its upward movement, while ladies' and men's apparel dropped in the survey.

Where Names Brands Are Growing—All Discounters

Department	1986	1985	1984	1983
Housewares	20%	22%	22%	20%
Health & Beauty Aids	17	14	22	16
Ladies' Apparel	17	18	22	26
Men's Apparel	14	16	21	23
Hardware	11	9	10	18
Consumer Electronics	9	6	7	8
Sporting Goods	9	5	8	8
Personal Care	8	5	2	6
Cosmetics	7	9	—	8
Food & Candy	5	2	3	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Discounters Carrying More Brands
(% reporting growth in national brands carried)

Growth	1986	1985	1984	1983
Greater	48%	48%	54%	61%
Same	45	49	43	36
Less	6	2	3	3
Not Answering	1	1	—	1

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Where Names Brands Are Growing—Conventional Discounters

Department	1986	1985	1984	1983
Housewares	19%	23%	22%	18%
Health & Beauty Aids	17	17	19	16
Hardware	13	8	12	20
Consumer Electronics	13	5	6	8
Ladies' Apparel	13	19	23	25
Men's Apparel	9	14	19	25
Personal Care	9	—	—	—
Sporting Goods	9	5	7	7
Cosmetics	8	12	—	10
Food & Candy	7	—	—	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Where Names Brands Are Growing—Upscale Discounters

Department	1986	1985	1984	1983
Ladies' Apparel	24%	15%	21%	31%
Housewares	23	18	21	28
Men's Apparel	22	20	27	12
Health & Beauty Aids	17	12	34	15
Sporting Goods	9	4	12	5
Hardware	7	11	4	10
Children's Apparel	4	8	8	16
Automotive	4	4	—	—
Personal Care	4	—	—	—
Cosmetics	3	3	—	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Lee Scores as Top Ladies' Brand with Upscale Discounters

Gitano, the second most popular label, is on ladies' jeans and coordinates. Fisher's Big Wheel, Delaware, Ohio, featured the goods off the aisle at $11.97. (DSN *photo*)

Nationwide DSN Report

When it comes to naming top brands in ladies' apparel, discounters can't seem to reach a consensus.

For example, Lee was the most highly rated brand overall with a 35% score. Despite that, 57% of managers at upscale discount stores selected Lee as a top brand, while only 23% of conventional store managers agreed. When by-chain results are examined, almost two-thirds of Target managers, or 61%, considered Lee a top brand, but it was named by only one in 12 Wal-Mart managers.

The by-chain disparity regarding Lee can be explained by the company's policy of refusing to sell directly to some discounters, including Wal-Mart and K mart. But in most cases, numbers rise or fall simply because of the chains' current marketing strategies.

This year, 71% of Wal-Mart managers selected Chic as a top brand, but in 1985, the label's rating at the same chain was 6%. At Zayre, Chic had zero ratings for both years.

Gitano, the brand with the second-highest overall ranking, at 25%, shows relatively consistent numbers at both upscalers and conventionals, by region and at three of four chains highlighted. But at Target, its rating falls off precipitously. The conventional-store rating of Gitano was 26% and the upscale rating, 25%. Regionally, 28% of discount store managers in the Northeast rated it a top brand for the high score, while the low was only five points down at 23% in the North Central.

Gitano Big in Upscale

Last year, Gitano was the fourth-ranked brand at 16% overall but was chiefly well-regarded at upscale chains. Conventional store managers gave it only an 11% score, while 27% of managers at upscale stores cited it as a top brand.

Wrangler, too, this year got nearly identical ratings from conventionals and upscalers at 25% and 23%, respectively. In 1985, upscalers gave it a 10-point margin with their 41% rate of mention, against 31% at conventionals.

In the 1986 by-chain analysis, Wrangler was a favorite brand at Wal-Mart, with a 53% score, a gain from 32% in 1985. It also did relatively well at Target with 38%, but last year, Target gave Wrangler a 70% rate of mention.

Wrangler's Zayre rating showed little change at 16% this year, but the brand dropped 16 points at K mart in 1986 to 23%. Overall, Wrangler was the second-highest rated brand in 1985, with a 34% score, but has dropped to third at 24%.

Chic placed fourth this year with 19% overall but was favored significantly by managers of conventional stores. The 24% rating at conventionals doubled last year's 12%, while the 11% scored at upscalers this year was one point higher than in 1985.

Chic's huge jump in recognition at Wal-Mart was by far the most notable change for any brand in 1986. Moreover, Chic displayed considerable strengthening at two other chains, especially Target.

Last year, 2% of Target managers regarded Chic as a top brand. This year, there was an elevenfold increase in recognition to 22%.

The K mart results were less startling but worthy of note. In 1985, 9% of K mart managers cited Chic as a top brand. The 1986 figure was almost double at 16%.

Levi's, with 15%, the last brand with a significant rate of mention in 1986, refuses to sell directly to any discounter. Upscalers are evidently far more willing to go to the trouble of securing Levi's merchandise than conventional stores because their managers gave the brand a 31% rating, while only 7% of managers of conventional stores considered it one of their key names.

Last year, Levi's was the third-ranked brand overall, with a 21% score.

Levi's lost considerable ground at Target and K mart in 1986. While its Target rating of 37% is still strong, it's only slightly better than half of 1985's 70% rate of mention. At K mart, just 6% of manag-

(Continued on page 28)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Lee	17%	8%	25%	61%
Gitano	33	31	25	7
Wrangler	23	53	16	38
Chic	16	71	—	22
Levi's	6	—	6	37

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Lee	41%	28%	37%	37%
Gitano	28	26	23	26
Wrangler	17	30	27	19
Chic	8	30	21	11
Levi's	6	7	18	31
Playtex	5	3	7	10
Calvin Klein	3	5	2	—
Gloria Vanderbilt	6	3	2	—
Sasson	11	2	—	—
Jordache	3	2	4	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Lee	35%	23%	57%
Gitano	25	26	25
Wrangler	24	25	23
Chic	19	24	11
Levi's	15	7	31
Playtex	6	5	6
Calvin Klein	3	3	2
Gloria Vanderbilt	3	2	4
Sasson	2	1	6
Jordache	2	2	2

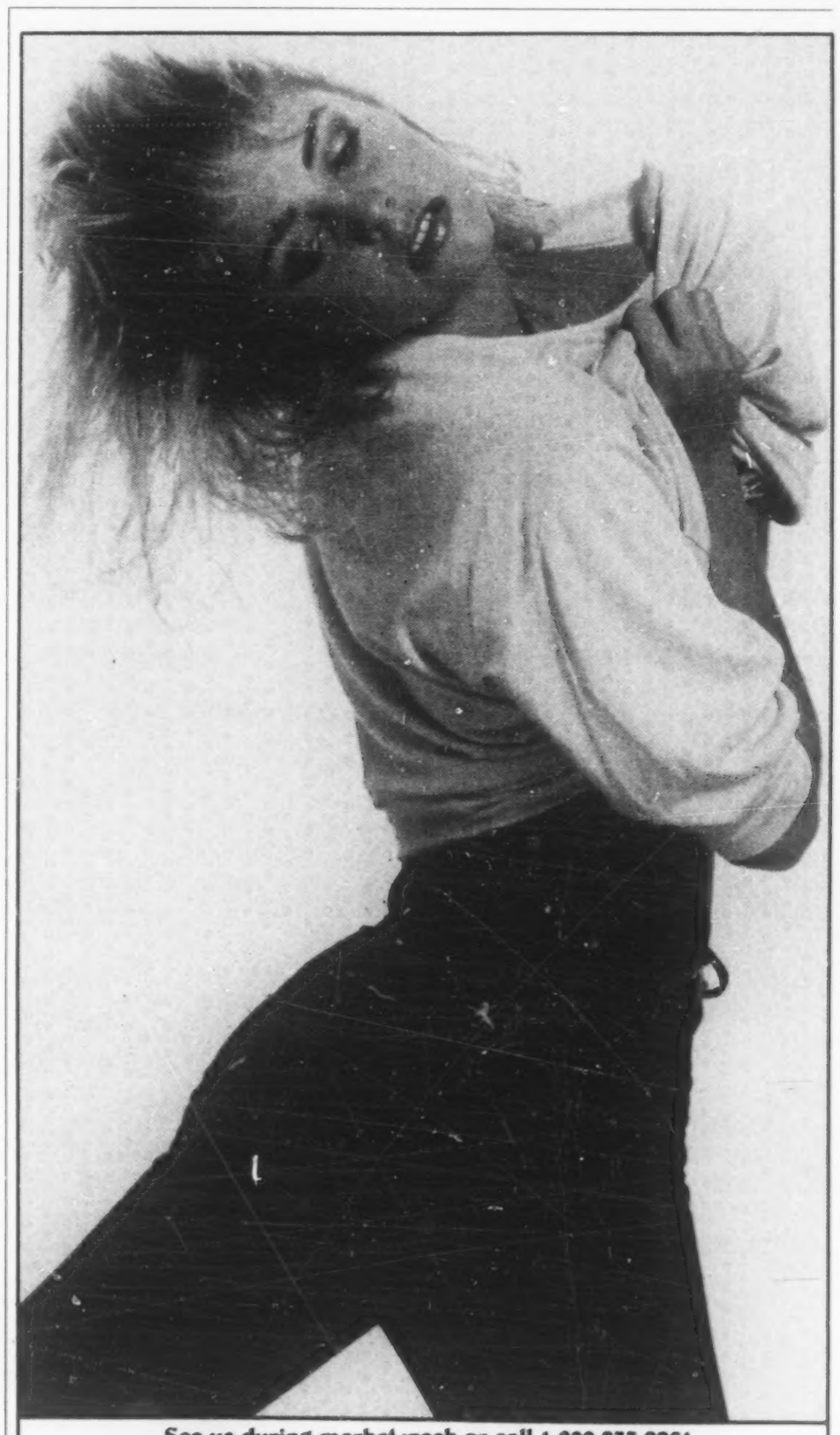
Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Growth Regions

- Northeast: 27%
- South: 11%
- North Central: 13%
- West: 22%

In ladies apparel, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the Northeast—27%.

Source: DSN/*Leo J. Shapiro & Assoc.*



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LADIES' APPAREL/TOP BRANDS

Upscalers Cite Lee Most Often as Top Ladies' Apparel Brand

(Continued from page 27)
ers selected Levi's as a top brand this time. A year ago, 28% of the store managers named it.

The brand's ratings changes at Wal-Mart and Zayre were insignificant. Both chains last year gave Levi's a 3% score. This year, the jeans moved to 6% at Zayre but got a zero rating from Wal-Mart managers.

None of the other five brands among the top 10 exceeded a 6% rate of mention. Playtex, the only non-jeans-associated name among the 10, led the runners-up. The four remaining names—Calvin Klein, Gloria Vanderbilt, Sasson and Jordache—all are designer labels most often identified with fashion jeans. Calvin Klein and Gloria Vanderbilt scored 3% overall and Sasson and Jordache, 2%. None of the four scored significantly higher among upscale discounters despite their fashion image.

The designers especially took it on the chin in the West. Not one of the four was mentioned by even 1% of the store managers in that region. Sasson edged into double digits in one region when it was cited as a top brand by 11% of Northeastern store managers. The next best regional result for designers was Vanderbilt's 6% score in the same region.

Other regional results showed a degree of softness for the Lee brand in the South. It rated mention by only 28% of store managers there while scoring with 37% of managers in the West and North Central regions and 41% in the Northeast.

Gitano's regional results were more consistent, varying five points from a low of 23% in the North Central to 28% in the Northeast.

The Northeast was Wrangler's weakest region, with a 17% score. The West was better at 19%, but the brand posted 27% in the North Central region and 30% in the South.

The South was Chic's best region with 30%, undoubtedly aided by the brand's newfound popularity with Wal-Mart. It also did well in the North Central region at 21% but dropped off in the West and Northeast at 11% and 8%, respectively.

Levi's also displayed a wide disparity in its regional ratings with discounters. Managers in the West regarded the brand well, awarding it a 31% score. Support was more tepid in the North Central but still reasonably strong with an 18% rating. In sharp contrast, southern and northeastern discounters scored Levi's at 7% and 6%, respectively.

In ladies' wear, jeans labels continue to dominate the top brands' list, according to the 1986 DSN *survey. Above is Prange-Way, Green Bay, Wis.* (DSN *photo*)

MEN'S APPAREL/TOP BRANDS

Men's Wear Top Two Retain Their Brand Leadership in '86

Nationwide DSN Report

Two jeans brands—Wrangler and Lee—remained the most important men's apparel names to discount store managers.

In *DSN's* 1986 Top Brands survey, Wrangler emerged more than ever as a key brand for conventional discounters, while Lee replaced Levi's in the minds of upscale store managers.

Wrangler headed the list of the 10 top brands, raising its 1985 score by three points in 1986, when 43% of all discount store managers surveyed selected it as a leading men's apparel brand. Lee remained in second place, even though its overall score dropped to 36%.

Levi's, last year's third-place brand, dipped 10 points to 21% and fifth place chiefly because its rating among upscale discounters dropped from 52% to 35%. That Levi's is a significant brand at all for discounters is a testament to its national appeal. The company steadfastly has refused to sell directly to discounters, forcing chains that want the label to scramble for other sources of supply. The drop in Levi's rating may signify that more upscale discounters are unwilling to wait around Levi's back door when Lee has the welcome mat out at the front.

Earlier in the year, Lee's parent company, VF Corporation, bought out Blue Bell, the manufacturer of Wrangler and Rustler jeans. One goal of that acquisition was to focus more sharply the appeal of the Wrangler and Lee labels to different market segments, reducing the brands' direct competition.

A comparison of 1985 and 1986 survey results indicates that the goal is on the way to being met. Lee traditionally aimed for an upscale audience while Wrangler, which took a more promotional approach, also sought to compete with Lee and Levi's.

In 1985, before the merger, Wrangler was cited as a top name by 42% of the conventional discount store managers surveyed. In the upscale store segment, 37% of managers considered Wrangler an important factor.

Wrangler Ratings Rise

This year, Wrangler's rating at conventional stores rose to 49% but dropped to 31% among upscalers.

Combined with the Lee figures, the distinction between the brands becomes sharper. Last year, Lee was cited as an important brand by a third of conventional discounters but by only a fourth this year. Among upscalers, its 1985 rating was 49%, rising to 57% this year.

A similar positioning pattern appears for Fruit of the Loom and Hanes, the underwear brands that finished third and fourth.

Fruit of the Loom, the third-rated brand overall at 29%, showed slightly more strength at conventional stores with a 30% rating than upscale stores, where managers awarded it a 26% score. Hanes, at 24% among all discount store managers, scored with only 21% of the conventionals but jumped to a 31% rating among upscalers.

Among the other brands in the top 10, Dickies and Rustler scored well at conventional stores but dropped almost out of sight at upscale discounters. Dickies scored a solid 25% rating among conventionals but only one-in-100 upscalers considered it a top brand. Rustler scored with 19% of conventional store managers against only 5% of their counterparts at upscale stores. Last year, before the Blue Bell acquisition, upscalers gave Rustler the higher grade by a 9% to 5% margin.

Reed st. James was clearly preferred by upscale stores with a 15% rating but plummeted to 2% at conventional stores for an overall score of 7%, good for ninth place.

Both McGregor sportswear, in seventh place with an overall rating of 15%, and tenth-place Garan, at 4%, achieved relatively consistent scores among both conventionals and upscalers.

Among highlighted chains, Wrangler was the clearly pre-

(Continued on page 30)

The popularity of the Wrangler brand in men's wear sections of traditional chains such as the Wal-Mart (Festus, Mo.), shown here, kept that brand ahead in DSN*'s annual top brands poll. This year, VF Corp., parent company of Lee jeans, took over Wrangler's parent company, Blue Bell.* (DSN *photo*)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Wrangler	53%	82%	41%	38%
Lee	15	3	45	65
Fruit of the Loom	34	29	46	31
Hanes	22	17	30	33
Levi's	13	3	21	49

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

MEN'S APPAREL/TOP BRANDS

Men's Wear Top Two Retain Their Brand Leadership in '86

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Wrangler	43%	49%	31%
Lee	36	25	57
Fruit of the Loom	29	30	26
Hanes	24	21	31
Levi's	21	15	35
Dickies	17	25	1
McGregor	15	14	18
Rustler	14	19	5
Reed st. James	7	2	15
Garan	4	5	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Wrangler	35%	49%	40%	46%
Lee	47	29	40	28
Fruit of the Loom	22	33	32	31
Hanes	18	23	31	22
Levi's	15	18	28	22
Dickies	14	28	12	9
McGregor	20	16	15	10
Rustler	6	24	13	8
Reed st. James	20	4	5	—
Garan	3	5	7	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

(Continued from page 28)

ferred brand at Wal-Mart and K mart, with 82% and 53% rating, respectively. Lee, which refuses to sell directly to either of these two chains, was considered a top brand by only 3% of Wal-Mart managers and 15% at K mart.

At Zayre, which has a more fashionable soft lines image among conventional discounters, the two brands were rated more evenly, with the edge going to Lee by a 45% to 41% margin. At Target, the upscale chain highlighted, managers clearly gave Lee the edge as a top brand, with a 65% rating, compared to Wrangler's 38%. Last year, the Target scores for the two brands were nearly identical, with Lee nosing out Wrangler by a 47% to 44% margin.

Fruit of the Loom's scores were consistent at around 30% at three of the chains but jumped to 46% at Zayre. Hanes scored a low of 17% at Wal-Mart but almost doubled that at Target with 33%.

Wal-Mart managers all but ignored Levi's, giving the brand a 3% rating. Nonetheless, Levi's scored a strong 49% when Target managers were polled, but that score still is down significantly from last year's 70%.

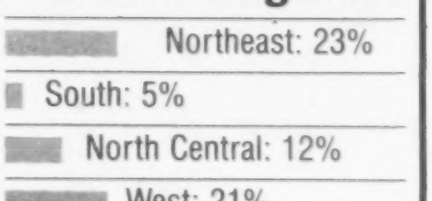
Repositioning Evident

Regionally, the repositioning of Wrangler and Lee by VF is becoming evident. Lee was strongest in Wrangler's weakest regions and Wrangler strongest in Lee's weakest. VF is positioning Lee for the fashion-conscious urban and suburban life styles, and the brand's strongest regions were the Northeast and North Central. Wrangler is aimed at a casual and rural audience, with singer Willie Nelson as a spokesman and the brand's sponsorship of stock car races and rodeos. Its best regions are the South and West.

Fruit of the Loom, Hanes and Levi's each scored relatively consistently with discounters in three of the regions but either rose or fell significantly in a fourth. For Fruit of the Loom, the Northeast stood out as a weak spot, while Hanes and Levi's saw their scores jump when managers in the North Central region were polled.

Among other brands, Rustler showed far greater strength in the South, while Reed st. James' following was concentrated in the Northeast.

Growth Regions



In men's apparel, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the Northeast—21%.

Source: DSN/*Leo J. Shapiro & Assoc.*

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CHILDREN'S APPAREL/TOP BRANDS

Children's Apparel Brands Score Poor Grades on Recognition

Nationwide DSN Report

Brand recognition is uncommonly weak in chain children's apparel departments.

Among the 17 store departments covered in the 1986 *DSN* Top Brands survey, the scores registered by children's apparel names were unusually low. Where, in other departments, leading brands frequently scored at 50% or more, the top name in children's apparel was selected by one out of five store managers.

Scoring is based on the percentage of discount store managers surveyed who cite a brand name as an important factor in a specific department in their stores.

Even with its relatively low rating, Garanimals, the leading name in 1985 as well as 1986, improved its performance this year. The Garanimals score of 20% this year was a four-point increase over its 1985 rating.

A sister product to the color-coordinated children's outfits, Garan placed fifth this year with a 10% rating.

Garanimals was more often selected by conventional discounters than by upscale stores. The label's rating at conventionals was 22%, higher than last year's 20%. Its rating among upscalers gained five points to 14%.

Wrangler, which tied for third place on last year's list with Garan at 11%, moved up to second place with a 15% score. Its appeal among conventionals and upscalers was consistent, with managers of conventional stores giving it an edge at 16% versus the 14% it scored with upscalers.

Lee maintained its 14% score from last year, but Wranglers' improvement eased the brand from second place to third for 1986. Lee was clearly preferred by managers of upscale stores, who gave it a robust (for this category) rating of 30%, a two-point rise from 1985. The brand slipped two points with conventionals to 7% this year.

Tied with Lee this year is Curity, which almost tripled its 1985 rating of a mere 5%. Curity, too, scored strongly with upscalers, being selected as a top brand by one out of four managers. Last year's score with upscale discounters was a meager 10%. The brand also boosted its ratings among conventional store managers, but its 9% score, while more than double the 1985 number, is still relatively puny.

Garan's fifth-place rating of 10% is one point lower than in 1985. The label in conventionals and upscalers showed little variation, although managers of upscale stores rated it two points higher at 12%. A year ago, the difference was more marked. In 1985, the upscale rating was 16%, and the score with conventionals was 9%.

No other children's apparel brand scored in the double digits. Three labels were bunched next on the list at 6%, led by Gerber at 5% and Fruit of the Loom at 4%.

One of the brand's in the three-way tie for sixth place, Spencer's, achieved its rating solely because of its following at conventional stores. While scoring zero with upscalers, it had a 9% rate of mention among more numerous conventional store managers.

The two other brands in the tie did best with the upscalers. Levi's scored at 12% with them, against 3% with conventionals, and Health-tex had a 14% rate of mention with upscalers while scoring 2% with conventional stores.

While most other scores in this category were low, Garanimals was a very big hit at Wal-Mart, being cited by 80% of the managers surveyed. This was a substantial gain over its 1985 Wal-Mart score of 32%. Its scores at three other chains were dismal by comparison, ranging from a low of 3% to a high of just 6%.

Wal-Mart also thought highly of Wranglers as a children's apparel brand, awarding it a strong 48% score. Last

(Continued on page 36)

Children's apparel generally has the lowest incidence of brand recognition, the DSN poll shows. Still, discounters such as Heck's (Proctorville) Ohio are giving it increased space. (DSN *photo*)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Garanimals	6%	80%	3%	6%
Wrangler	9	48	13	13
Lee	1	—	17	34
Curity	12	16	9	31
Garan	1	27	6	7

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

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CHILDREN'S APPAREL/TOP BRANDS

Managers Rate Brand Recognition Lowest in Children's Wear

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Garanimals	20%	22%	14%
Wrangler	15	16	14
Lee	14	7	30
Curity	14	9	25
Garan	10	10	12
Levi's	6	3	12
Spencer's	6	9	—
Health-tex	6	2	14
Gerber	5	5	5
Fruit of the Loom	4	4	4

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Garanimals	13%	27%	18%	16%
Wrangler	17	20	13	10
Lee	23	7	22	8
Curity	21	13	14	10
Garan	3	9	14	13
Levi's	5	1	7	15
Spencer's	9	9	2	5
Health-tex	5	1	3	18
Gerber	3	3	6	8
Fruit of the Loom	12	2	3	1

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

(Continued from page 34)

year, the brand stood at 18% at the chain. Another bright spot for Wrangler was its Zayre score of 13% because, in 1985, the brand got a zero rating from the chain. The 1986 K mart score of 9% was a seven-point improvement, but Wrangler lost ground at Target, dropping to 13%.

Lee did well at Target with a 34% rating and respectably at Zayre with 17%. But Lee will not sell directly to K mart or Wal-Mart, accounting for its zero rating at Wal-Mart and 1% score at the industry's largest chain. All Lee scores for 1986 were in the same range as in 1985.

Curity was also favored by Target, scoring 31%. K mart and Wal-Mart also rated the brand relatively well, with scores of 12% and 16%, while Zayre's 9% rating matched the conventional store average. Curity's by-chain scores were not recorded last year since it did place among the category's top five brands.

Fifth-place Garan gained favor at Wal-Mart this year but lost considerable ground at Target. Its Wal-Mart score went up 11 points to 27%, but the label's rating at Target fell by more than two-thirds from 23% to just 7%. Garan's K mart and Zayre scores were consistent for both years.

Wal-Mart's strength in the South was evident in the score for Garanimals of 27% in that region. In other parts of the country, the brand's rate of mention ranged from 13% in the Northeast to 18% in the North Central region.

Wal-Mart was also a factor in Wrangler's 20% score with Southern discounters. Its weakest region was the West at 10%.

Both Southern and Western discounters gave Lee low marks of 7% and 8%, respectively. However, in the Northeast and North Central regions, the numbers jumped considerably to 23% and 22%.

Curity did best among Northeastern discounters with a 21% rating, sliding to less than half that in the West.

The Northeast was a notable weak spot for Garan with only a 3% rating. In other areas, it scored from three to almost five times as well.

Both Levi's and Health-tex were far more popular with Western discounters than in the rest of the country, while Fruit of the Loom was relatively big in the Northeast but a negligible factor elsewhere.

Growth Regions

Northeast: 3%

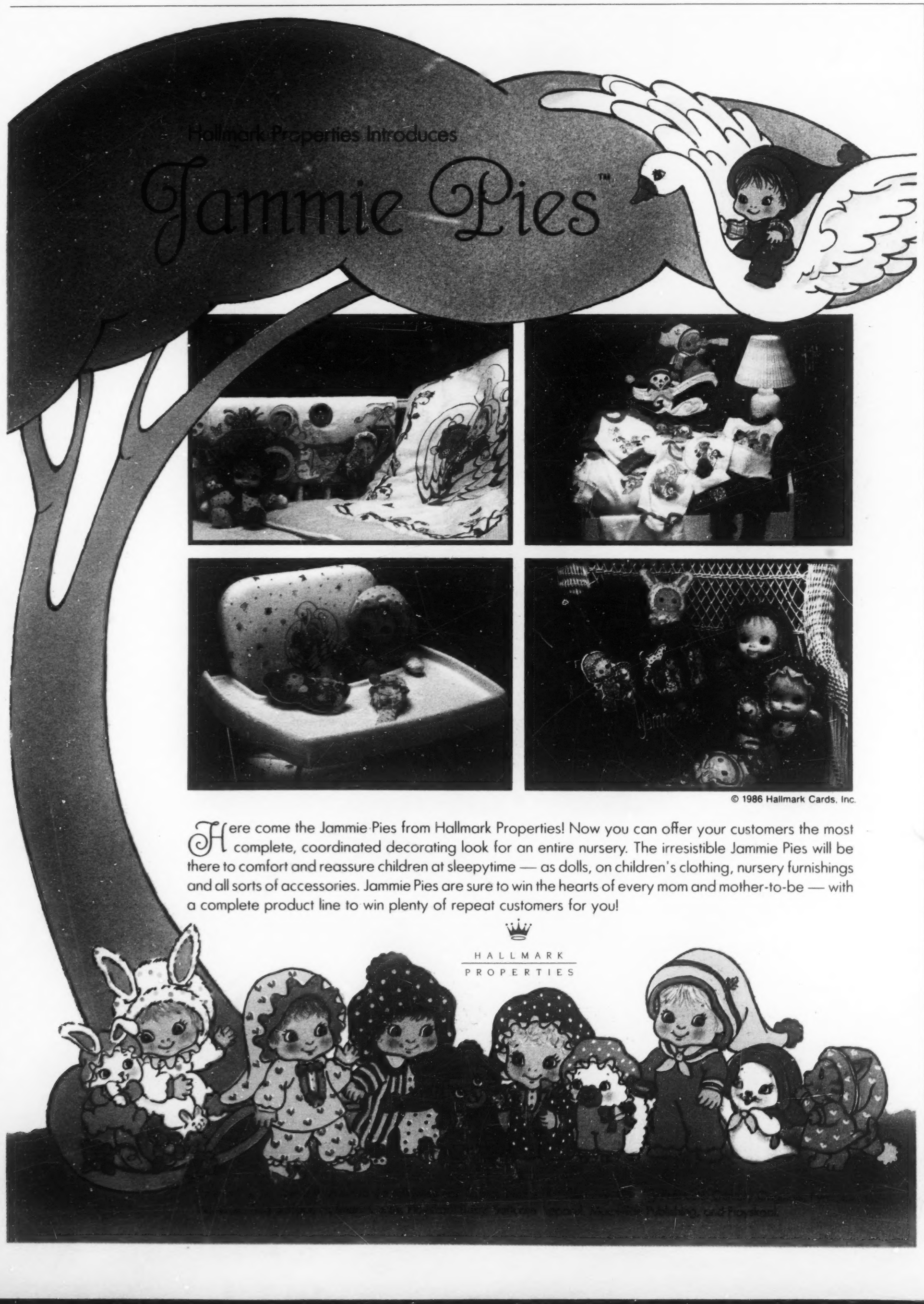
South: 2%

North Central: 6%

West: 0%

In children's apparel, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the North Central—6%.

Source: DSN/*Leo J. Shapiro & Assoc.*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HALLMARK
PROPERTIES

DOMESTICS/TOP BRANDS

Domestics Makers Challenge Cannon for Number One Spot

Nationwide DSN Report

Cannon remains the domestics powerhouse in discount stores, but the gap between it and other popular brands has narrowed.

In a survey of discount store managers, 62% named Cannon as a top brand in their domestics departments. Managers of conventional discount stores were especially high on this well-known name. There, seven out of 10 managers selected the Cannon name.

Among managers of upscale stores, Cannon also was the leader. But only two points behind, with a 44% rating, came the St. Mary's brand. St. Mary's finished third in the overall ranking at 26%, with a 17% rating among conventional stores.

The number two brand at all discounters was J.P. Stevens, selected as a key domestics brand by one out of three managers. Stevens fared best with conventionals, at a 39% rate of mention. One of five upscale managers selected the brand.

Last year, Cannon scored three times as often as St. Mary's, next highest brand.

In 1985, Cannon's strength was more evenly distributed, with a 55% rating at conventional stores and 57% at upscalers, producing an overall rating of 56%. St. Mary's was selected by 19% of all discount store managers, with conventionals rating the brand slightly higher at 20% than upscale store managers at 16%.

Stevens placed third in the 1985 survey with an overall rating of 17%. Again last year, Stevens was clearly preferred by the conventional store segment, in which 19% of managers considered it a top brand, than among upscalers, where only one-tenth of the managers selected the name. Stevens more than doubled its upscaler rating to 21%.

Lagging behind the top three, Springs and Kenney's tied at 10% overall for fourth place on the top 10 list. These brands last year were involved in a four-way tie for sixth place at only a 4% rate of mention by store managers.

Their numbers were consistent across the board, with both brands achieving a 13% rating at conventional stores and a 5% score with upscalers. In 1985, their rating among conventionals was only 5%, while at upscalers, Springs squeaked out a miniscule 1% rate of mention while Kenney's score was virtually zero.

The Pepperell/West Point brand lost 10 points in 1986 to a 7% rating among discounters. It fell from a third-place tie with Stevens to sixth place. As in 1985, Pepperell is more important to upscale stores, where it rated as a top brand by one-tenth of the managers, than to conventional stores, where its score was 6%.

Last year, however, Pepperell was far more highly regarded by upscalers, with a rating of 27%. Managers of conventional stores in 1985 awarded it a 13% rating.

Like Springs and Kenney's, Burlington and Fieldcrest turned in identical 1986 performances for a seventh-place tie. Their overall rating was just behind Pepperell at 6%, with conventional store managers showing a preference at a rate of mention of 7%, compared to 3% at upscale stores.

Last year, Burlington was the fifth most highly regarded brand overall, but its score was still 8%. Its rate of mention was twice as high at conventional stores at 10% than upscalers at 5%.

Fieldcrest was one of the four brands in the sixth place tie in 1985.

Close behind was Santa Cruz, which scored with 5% of all discounters. It also had ratings of 7% and 3% at conventionals and upscalers respectively. Last year, Santa Cruz shared a 4% rating with Fieldcrest, Springs and Kenney's while scoring 5% at conventional stores and 2% at upscalers.

Newell replaced Dan River as the tenth-rated brand in 1986 with a 2% overall rating. Managers of upscale stores did not mention Newell, while conventionals scored it a 4%.

Dan River dropped from a 1985 rating of 3% to less than 1% this year.

Cannon's higher 1986 overall score was fueled by heightened support among managers at discounting's two largest chains, K mart and Wal-Mart. Wal-Mart was especially high on the brand, giving it a 98% score, while K mart managers were scarcely more restrained at 88%. Last year, the Wal-Mart and K mart scores were 73% and 67%, respectively.

At Zayre and Target, Cannon's ratings were virtually reversed in a year. In 1986, Cannon's Zayre rating was 68%, and the Target score was 42%. A year ago, the brand was a top domestics name for 43% of Zayre managers and 67% of Target managers.

Stevens also was highly popular at Wal-Mart with an 88% rating. It was also held in high regard at K mart, where it received a 56% score. At the third conventional discounter, Zayre, Stevens fell to 20%.

Nonetheless, Stevens outperformed St. Mary's at Target by a 35% to 33% margin, although St. Mary's generally was the clear preference of the two among upscalers.

Of the four highlighted chains, Zayre was St. Mary's biggest booster, with managers awarding it a 48% rate of mention as a top brand. St. Mary's did worse at the two dominant chains, with a K mart score of 13% and a 6% rating at Wal-Mart.

While Springs and Kenney's average numbers were identical, the by-chain breakdown showed variance. The two were nearly equal at K mart, with 15% and 12% scores respectively, and Target, where Springs was cited by 3% of managers and Kenney's by virtually none.

Spring's outshined Kenney's at Wal-Mart, however, by a 40% to 9% margin, while Kenney's buried its rival at Zayre by 43% to 9%.

Regionally, Cannon was stronger in the South and West, with scores in the upper 60% range, than in the Northeast and North Central regions, where its rate of mention among managers was in the mid-50% range.

Stevens fared poorest in the Northeast at 16%, a Zayre stronghold, while scoring from 30% to 45% in the other three regions. St. Mary's fell flat in the South, Wal-Mart's bastion, to 15%, with other regional scores ranging from 27% to 35%.

The ratings for Springs ranged from a low of 3% in the West to a high of 18% in the South. Kenney's showed somewhat less variance, with a low of 6% in the North Central region and a high of 17% in the Northeast.

At Jamesway in Peekskill, N.Y., shorter runs and freestanding fixtures are used to enhance brand assortment. (DSN photo)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Cannon	88%	98%	68%	42%
J. P. Stevens	56	88	20	35
St. Mary's	13	6	48	33
Springs	15	40	9	3
Kenney's	12	5	43	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Cannon	62%	70%	46%
J. P. Stevens	33	39	21
St. Mary's	26	17	44
Springs	10	13	5
Kenney's	10	13	5
Pepperell/Lady Pepperell/West Point	7	6	10
Burlington	6	7	3
Fieldcrest	6	7	3
Santa Cruz	5	7	3
Newell	2	3	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Cannon	55%	69%	57%	67%
J. P. Stevens	16	45	30	33
St. Mary's	35	15	32	27
Springs	12	18	7	3
Kenney's	17	10	6	11
Pepperell/Lady Pepperell/ West Point	17	6	7	1
Burlington	3	6	8	5
Fieldcrest	2	8	6	5
Santa Cruz	—	8	4	8
Newell	2	3	3	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Growth Regions

Northeast: 3%
South: 7%
North Central: 2%
West: 5%

In domestics, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the South—7%.

Source: DSN/*Leo J. Shapiro & Assoc.*

Toothpaste Brands Head Top 10 List for H&BA Category

Nationwide DSN Report

The two best-selling toothpaste brands headed the list of the top 10 health and beauty aids brands in 1986.

Toothpaste sales leader Crest was the highest rated, cited by 32% of discount store managers as a top brand, followed by Colgate, with a 24% rating.

Many store managers did not cite a single brand, naming instead leading H&BA manufacturers. Highest in managers' esteem were consumer products powerhouse Procter & Gamble and well-known Johnson & Johnson. Both manufacturers got two mentions on the top 10 list.

Procter & Gamble placed fourth, but number one Crest is one of its many H&BA products. Johnson & Johnson, whose leading products include Band-Aids, baby oil, baby shampoo and talcum powder, placed third. In addition, McNeil Laboratories, seventh on the list, is a J&J subsidiary. McNeil's best-known brand is Tylenol, the leading nonaspirin painkiller.

Tylenol quickly regained its dominant market share, despite the loss of the capsules.

A third manufacturer, Lever Brothers, placed tenth on the list. Among the Lever brands is Close Up toothpaste.

Ironically, McNeil, which was not among the top 10 last year, may have made the list this year because of a tampering incident last spring in which a New York woman was killed by a cynanide-poisoned Tylenol capsule.

Such a tragedy would seem unlikely to place a product on any store managers' hit parade. Nonetheless, McNeil received high praise from consumers, retailers and regulators for its decisiveness and accountability.

To forestall future tampering, McNeil voluntarily ceased capsule production of Tylenol capsules, replacing them with caplets, a capsule-shaped coated tablet. To support this marketing shift, the company offered retailers generous terms and allowances, advertising support and point-of-purchase materials, as well as supplying substantial advertising support for the product. As a result, Tylenol quickly regained its dominant market share despite the loss of the capsules, which consumers often prefer.

While McNeil, J&J and Procter & Gamble all are obviously corporate names, other spots on the list may refer both to brands and companies. Revlon, for example, is a well-known cosmetic brand and also a company that produces deodorants and shampoos, among other products. Clairol is the largest-selling hair color, but it is also a company that produces shampoos and

(Continued on page 41)

Top Brands' Performance by Region

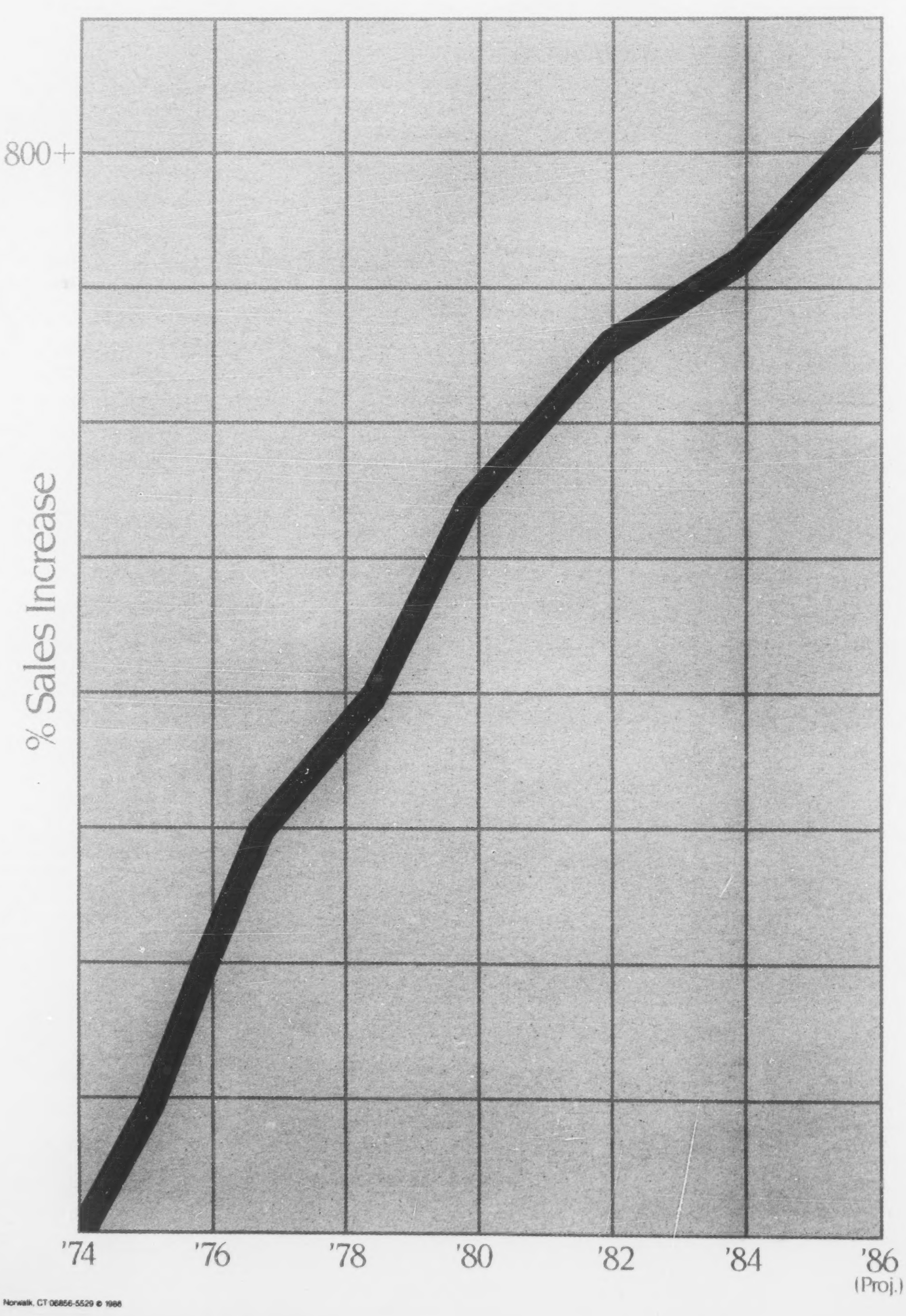
Brands	Northeast	South	North Central	West
Crest	21%	30%	36%	39%
Colgate	28	27	23	15
Johnson & Johnson	18	21	17	39
Procter & Gamble	10	18	18	19
Revlon	22	20	13	8
Clairol	19	15	11	13
McNeil Lab	12	8	10	18
Listerine	11	8	15	10
Suave	6	11	8	14
Lever Bros.	5	19	5	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Crest	32%	29%	39%
Colgate	24	24	23
Johnson & Johnson	23	24	22
Procter & Gamble	17	20	10
Revlon	16	13	20
Clairol	14	14	13
McNeil Lab	11	10	14
Listerine	11	8	16
Suave	10	13	3
Lever Bros.	8	11	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*



Beiersdorf Inc Norwalk, CT 06856-5529 © 1986

Crest, Colgate Head Managers' H&BA Top 10 Brands List

(Continued from page 40)

other hair care products and Sea Breeze skin lotions. Finally, Colgate is, of course, a leading toothpaste, as well as the common name of the huge Colgate-Palmolive Co.

Only three of the 10 names on the list refer to a specific brand—Crest, Listerine and Suave shampoo.

As a category, health and beauty aids is unique in that many manufacturers are as much a household name as are some of their brands. In addition to those on the list, other companies associated with H&BA generally are Gillette, Maybelline, Bristol Meyers, Mennen and Max Factor.

Leading H&BA manufacturers often spend nearly as much promoting their companies as they do advertising specific brands, among consumers as well as within the trade. Consequently, it should come as no surprise that discount store managers frequently cited the companies as important factors in their stores' H&BA departments.

Crest, selected as a top brand by 32% of the store managers surveyed, substantially improved its 1985 score of 23%. While the toothpaste topped all other names this year, its ranking in 1985 was fifth. Still, Crest was the highest-ranked specific brand last year.

Colgate, 1986's second most frequently cited name, improved its 1985 rating of 16% and rose from sixth place.

Johnson & Johnson, last year's top-rated name among discount store managers, finished third this year, slipping 10 points to a 23% score. Procter & Gamble also showed a decline, dropping from a second-place tie with Revlon to fourth and from a 25% rating to 17%. The major factor for P&G's lower rating was a softening in its support among upscale discounters. Last year, 24% of upscale-store managers chose P&G as a top name, but only 10% did so this year.

Clairol fell from the top five, exchanging its number-four ranking at 24% in 1985 for a sixth-place finish at 16%.

Among highlighted chains, top-rated Crest hovered near its overall 32% rating at the three conventional chains, K mart, Wal-Mart and Zayre. Of Target managers, 51% named Crest.

Colgate's scores also varied. It achieved relatively high scores of 35% and 34% at Wal-Mart and Target, but it came out worse at K mart and Zayre, with 21% and 25%.

The three highlighted conventional stores gave J&J fairly consistent ratings, but the company fell off to a rate of mention of only 16% at Target. Managers of other upscale discounters, however, pushed its average in that segment back up to 22%.

Just the opposite occurred with P&G. Target was the company's biggest booster among upscalers, giving it a 21% rating, while the average among upscalers was only 10%.

Revlon's scores were consistent among three highlighted chains but dropped to a 6% rating at Zayre.

Regionally, Crest scored highest in the West with a strong 39% rating but was considerably weaker in the Northeast at 21%. Conversely, Colgate did the best in the Northeast at 28% and poorest in the West at 15%.

Scores for Johnson & Johnson and Procter & Gamble were consistent in three regions but differed significantly in the fourth. J&J scored in the 20% range in the Northeast, South and North Central regions but surged to 39% in the West. P&G was just below 20% in the South, North Central and West while dipping to 10% in the Northeast.

Revlon was a top name for 22% of discount store managers in the Northeast and for 20% of southern store managers. But its score in the West slipped to only 8%, although it was cited by 13% of managers in the North Central regions.

Other regional scores were relatively stable except for the tenth name on the list. In the Northeast and North Central regions, Lever Bros. achieved a modest 5% rating. But in the South, the rating zoomed up to 19% and then dropped to virtually zero in the West.

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Crest	28%	35%	33%	51%
Colgate	21	35	25	34
Johnson & Johnson	27	23	28	16
Procter & Gamble	24	28	15	21
Revlon	12	13	6	16

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Growth Regions

Northeast	17%
South	21%
North Central	18%
West	10%

In health and beauty aids, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the South—21%.

Source: DSN/*Leo J. Shapiro & Assoc.*

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*All sales are exfactory vs. 1985.

PERSONAL CARE/TOP BRANDS

Major Brand Shifts Shake Up Personal Care Category in '86

Nationwide DSN Report

The 1986 personal care appliance category experienced some major shifts in the way discounters ranked the leading brands.

Some of last year's less frequently cited brands worked their way toward the top of the discount store manager's list, while others dropped off the chart entirely.

The study results also indicated discount industry leaders, K mart and Wal-Mart in particular, radically changed the way they viewed top vendors in the personal care appliance product line, compared to last year.

There were only moderate shifts in top brands performance by region, according to *DSN's* Top Brands study.

The results were the tabulation of discount store manager responses nationwide when asked to cite their best-selling name brands in the personal care appliances department.

Conair was the personal care appliance most often mentioned by discount store managers as one of the best-selling name brands they stock, with Clairol and General Electric holding the second and third place spots, respectively.

Top performer Conair earned 56% of store manager mentions, while Clairol was named by 43% and General Electric was cited by 33% of those surveyed.

Last year, Conair and Clairol had also held the top two spots, but this year, they further strengthened their holds. Forty-two percent of all discounters had cited Conair and 35% had mentioned Clairol a year ago.

In 1985, General Electric had trailed behind Norelco, compared to last year when the manufacturer held third position with 33% of all discounter mentions.

Norelco slipped to the fifth spot at the 18% level for 1986, compared with 34% a year ago.

Black & Decker jumped up to the number six slot after bringing up the rear last year in tenth position.

The manufacturer had attracted only 7% of the mentions in 1985, and this year, it was cited by 15% of the store managers surveyed as a top sales performer.

Gillette, with 7% of mentions last year, didn't make this year's listing at all as it trailed behind chart newcomer Jerri Redding, which drew 7% of manager mentions.

This display in a Lancaster, Pa., Caldor indicates the importance of brand assortments. (DSN photo)

Sunbeam switched places with Windmere in this year's ranking; last year, Sunbeam was number eight with 8%, and Windmere was number seven with 10%. This year, both manufacturers declined.

Remington dropped to the ninth position with a 7% rating. In 1985, the company held the number four position with 19% of mentions.

In terms of conventional and upscale discounters, each had a pronounced favorite when it came to the two leading brands.

Conair was favored by conventional discounters, with 65% citing the brand as a top performer in their personal care departments.

Clairol, on the other hand, was considered a leading brand at upscale discount department stores with 62% of managers mentioning the brand.

Last year, the rift between conventional and upscale discounters in terms of Conair and Clairol was narrower. Forty-four percent of the conventional discounters cited Conair, compared to 34% of the upscalers in 1985.

Clairol was noted by 32% of conventional discount store managers and 47% of the upscalers surveyed last year.

General Electric appliances were important to both the upscale and conventional markets this year, with roughly a third of all store managers naming the brand as among the merchandise leaders in their personal care departments.

In terms of specific chain mentions, K mart cited Conair 88% in 1986 compared to 72% last year.

Wal-Mart had an even more dramatic shift toward Conair, up to 84% of mentions in contrast to 48% just last year.

While fewer K mart store managers mentioned Clairol as a top brand—34% this year compared to 40% a year ago—Wal-Mart jumped more significantly from 17% in 1985 all the way up to 47% this year.

Norelco, with fewer overall mentions, dropped to the 19% level at both Target and Zayre from the respective 63% and 32% levels the brand attracted last year.

While Vidal Sassoon has managed to make an impression on store managers at Wal-Mart, Zayre and Target, K mart only cited the manufacturer as a top brand 2% of the time.

By region, Conair was at or near the 60% level in all areas except the North Central where it was 43%.

This reflects a significant change over last year's ratings when Conair generally scored around the 40% level in the Northeast and South, the 47% level in the Central U.S. and 43% in the West.

Clairol's performance was strongest in the West this year, with 53% of mentions from that region, almost reaching Conair's popularity in the North Central area.

Last year, Clairol was stronger in the Central region than any other area of the country with 39% of store managers citing the brand.

General Electric's performance was strongest in the North Central region where it reached the 37% level. It hovered near the 30% level in the other parts of the country.

Sunbeam was cited by 14% of western discount store managers but only 2% by managers in the Northeast.

Much of Black & Decker's increased popularity was in the West where it received 21% of the mentions compared to last year when it was cited by less than 1% of the survey population.

Jerri Redding, which only had 10% of mentions in the rest of the country combined, managed to attract 18% of the mentions in the West.

Conair, which is known for hair dryers as shown in this Clover store's display, was the top brand selected in the personal care category, followed by Clairol and General Electric. (DSN photo)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Conair	88%	84%	73%	24%
Clairol	34	47	14	49
General Electric	35	41	37	38
Vidal Sassoon	2	31	20	25
Norelco	14	38	19	19

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Conair	56%	65%	37%
Clairol	43	33	62
General Electric	33	35	30
Vidal Sassoon	19	18	21
Norelco	18	20	15
Black & Decker	15	17	11
Sunbeam	8	9	7
Windmere	7	10	3
Remington	7	7	8
Jerri Redding	7	10	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Conair	60%	63%	43%	61%
Clairol	36	43	40	53
General Electric	32	31	37	31
Vidal Sassoon	17	23	18	17
Norelco	15	18	20	19
Black & Decker	15	15	11	21
Sunbeam	2	8	9	14
Windmere	—	11	7	9
Remington	9	7	7	6
Jerri Redding	1	4	5	18

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Growth Regions

Northeast: 8%
South: 12%
North Central: 5%
West: 4%

In personal care, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the South—12%.

Source: DSN/*Leo J. Shapiro & Assoc.*

Top Five Vendors Continue to Dominate Cosmetics Category

Reflecting renewed interest in hair colorings and nail care, Clairol and Sally Hansen made the Top 10 list. (Caldor, Secaucus, N.J.)

Nationwide DSN Report

The cosmetics department continued to be dominated by the same top five vendors as most of these industry leaders strengthened their position in the discount market.

Once again, Maybelline, best known for its eye care products, received the highest marks across the board from discount department store managers in this year's exclusive Top Brands study.

The survey asked the managers to cite the best-selling name brands in their cosmetics departments.

Both Cover Girl and L'Oreal gained or maintained high recognition with store managers compared to last year's performance.

Revlon and Max Factor, on the other hand, lost a few percentage points but not enough to alter their third- and fifth-place standing on the top 10 brands list.

While Maybelline merchandise is preferred by conventional discounters over upscalers, it continued to be the single most widely recognized brand by discount store managers.

The Maybelline brand was cited by 81% of all the discount store managers surveyed as a primary sales generater in the cosmetics department. Eighty-four percent of conventional discounters and 73% of upscalers mentioned the vendor in the survey.

Cover Girl, the fourth most frequently cited cosmetic brand, had 45% of the mentions this year, the same level as a year ago. Nevertheless, compared to last year, the brand showed greater importance to conventional and upscale discounters alike.

The 54% of store managers who cited Cover Girl as a top performer this year compares with 43% last year. Among upscalers, the brand earned 48% of mentions as compared with 28% a year ago.

L'Oreal, known for its hair coloring formulas, rose five percentage points above last year's rating to 17% of all discounters questioned. The brand doubled the number of upscalers responding favorably from 11% to 22% and rose from 3% to 14% of all conventional discount store managers.

Revlon, traditionally much more an upscale line of cosmetics, dropped five percentage points from conventional discounters this year as compared to 1985's results and lost 10 percentage points from upscale discount operations.

Max Factor slipped four percentage points to 25% of mentions this year, with most of the mentions lost from the conventional discounter. The brand had received 28% of conventional and 35% of upscaler mentions in 1985, compared to 20% and 33% this year, respectively.

Dropped from this year's ranking was Cutex and L'Erin, which were replaced by the sudden appearance of Clairol, which grabbed sixth place, and Sally Hansen, a nail care manufacturer which did not make last year's listing but captured the tenth place slot in 1986.

In terms of specific chains and vendor recognition, Wal-Mart represented the greatest number of store manager mentions for Maybelline, Revlon and Cover Girl, the top three performers.

Nearly all of the Wal-Mart store managers surveyed, 98%, cited Maybelline as a primary contributor to sales in their cosmetics departments.

The vendor had the lowest number of mentions at Target where Revlon had a substantial, although secondary, ranking with 76% of mentions.

Among the more notable changes from last year to this year were the increase of Cover Girl mentions at K mart from 36% to 63% and the sharp decline of Max Factor mentions at both Zayre and Target.

Max Factor was cited by 52% at Zayre last year, compared to 6% in 1986. The brand had been cited by 21% of Target store managers in 1985 and 12% in this year's survey.

Zayre had registered 39% of Cover Girl mentions a year ago, compared to only 6% this year.

At Target, 21% had cited the manufacturer as a cosmetics line which provides a substantial portion of category sales, compared to 12% of mentions in the current survey.

Regionally, Maybelline was strongest in the South and West with 88% of mentions. It had good ranking in the Northeast and North Central regions at 71% and 75%, respectively.

The brand's increasing popularity has had its effect on all parts of the country. This year's figures reflect an 8% change since 1985 in both the West and Northeast and 6% and 4% in the South and North Central, respectively.

Revlon, however, lost its footing in the North Central, West and South, declining from 64% to 53% in the North Central; 61% to 52% in the West; and 48% to 47% in the South.

Store managers in the Northeast cited Revlon 51% of the time, compared to 46% a year ago.

While Coty lost the 2% of mentions it had had in the Northeast last year, it gained 14% more mentions in the West and 4% in the North Central this year. The numbers for the southern part of the country were unchanged.

At cosmetics departments, such as this one at Fisher's Big Wheel, Delaware, Ohio, Maybelline, Revlon and Cover Girl continue to dominate in the 1986 top brands survey. (DSN *photo*)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Maybelline	95%	98%	90%	85%
Revlon	37	47	61	76
Cover Girl	63	87	42	39
Max Factor	22	29	6	12
L'Oreal	23	12	3	20

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Maybelline	81%	84%	73%
Revlon	51	41	70
Cover Girl	45	54	28
Max Factor	25	20	33
L'Oreal	17	14	22
Clairol	9	12	4
Coty	7	4	13
Aziza	7	5	10
Noxell	4	7	—
Sally Hansen	2	3	1

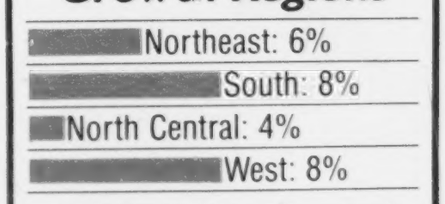
Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Maybelline	71%	88%	75%	88%
Revlon	51	48	53	52
Cover Girl	29	57	44	43
Max Factor	16	23	18	46
L'Oreal	10	15	10	36
Clairol	11	7	9	12
Coty	—	3	6	21
Aziza	10	8	8	—
Noxell	3	4	4	8
Sally Hansen	—	2	2	4

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Growth Regions



In cosmetics, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the South and West, both 8%.

Source: DSN/*Leo J. Shapiro & Assoc.*

Housewares Leads All Departments in National Brand Growth

Nationwide DSN Report

Long-established discount store houseware brands are maintaining their hold in the category, but the number of national brands continues to grow significantly, the latest *DSN* Top Brands survey shows.

Rubbermaid and other traditional staples in discount store housewares departments again were named by a wide margin the top brands in a poll of store managers. Rubbermaid especially outdistanced other brands, being chosen by more than half the respondents as a key name.

While familiar names still head the list of top brands, the same store managers also most frequently cited housewares as the department in which the number of national brands increased during 1986. One-fifth, or 20%, of the managers polled singled out housewares from among 17 merchandise categories as an area in which their stores' brand assortments grew.

In 1985, housewares also led other departments for brand growth, in the opinion of 22% of managers. But more conventional discounters last year cited housewares brand growth than did managers of upscale stores by a 23% to 18% margin. This year, that pattern was reversed as housewares was chosen by 23% of upscalers and 19% of conventional store managers.

This continued trend reflects a dual need of discounters—to improve margins in the department and to stay current with constantly changing consumer desires.

Housewares always have been a leading category for discount store promotions. These widespread promotions have meant small gross profits on many of the top-line brands, especially among electric housewares. As a consequence, discounters are receptive to alternative names offering similar products with better margin opportunities at competitive prices.

Additionally, while staples such as the bulk of the Rubbermaid line, can be counted to churn out good sales results year after year, discounters have learned that they must present a good fashion image as well. Fashion is volatile, however, and many hot products are relatively short-lived.

The year-to-year importance of basic housewares is reflected in the list of the 10 top brands in the minds of store managers. Eight of the 10 names—and all of the top five—are of staple lines. In addition to top-performer Rubbermaid, the list is dominated by dinnerware, cookware and glassware rounded out with Ekco utensils and O-Cedar handle goods.

Two names of electric housewares appear on the list, but both come from the same supplier.

The General Electric name is still important to discounters but is disappearing as an increasing number of the small appliances are switched to the Black & Decker label. Black & Decker purchased General Electric's small appliance business and was given three years to completely phase out the GE brand.

Rubbermaid was an even bigger winner this year than in 1985. Its current 53% rating overall is a marked improvement over 1985's 39%, which also topped the housewares list. The higher performance was virtually across-the-board.

Conventional discounters, Rubbermaid's traditional

(Continued on page 49)

The housewares department at Gold Circle's prototype in Cincinnati is an example of the trend to expand assortments. (DSN *photo*)

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Rubbermaid	53%	56%	49%
Corning	21	24	16
Corelle	18	18	18
SilverStone	14	19	6
Anchor Hocking	12	13	8
Ekco	11	12	11
Pyrex	8	7	10
General Electric	8	9	7
Black & Decker	8	8	7
O-Cedar	7	7	8

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Rubbermaid	56%	57%	49%	52%
Corning	24	23	16	24
Corelle	12	12	17	32
SilverStone	12	20	14	8
Anchor Hocking	8	13	11	12
Ekco	11	14	11	9
Pyrex	7	8	10	8
General Electric	9	9	9	4
Black & Decker	9	6	7	10
O-Cedar	4	7	11	5

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

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Housewares Leads Other Depts. in Growth of Branded Goods

(Continued from page 46)
stronghold, gave it a 56% rating, a gain from 41% last year. Its top brand score rose by an even larger margin, however, at upscale stores to 49% from 31% last year.

Among highlighted chains, managers at upscale Target stores rated Rubbermaid below the average, with 41% saying it was a top brand. Still, a year ago, its Target score was half that, or 20%.

The brand also improved its performance at two conventional chains, with its K mart score rising 20 points to 43% and boosting a 70% at Wal-Mart in 1985 to 76%. At Zayre, Rubbermaid slipped 10 points to a still-above-average 60%.

The Corning brand maintained its 21% rating from 1985, which again placed it second. Its corporate sister, dinnerware staple Corelle, rose from a fourth-place tie at 14% last year to a strong third place at 18%.

Corelle and SilverStone gain

Corelle's biggest improvement came at upscale stores, where it gained five points to be cited by 18% of managers as a top brand.

Another big winner was SilverStone cookware, which failed to place among the top 10 last year but took the fourth spot with 14% in 1986. SilverStone scored far better among conventional discounters, with 19%, than among upscalers, where its rating dropped more than two-thirds to 6%.

Significantly, discounting's two largest chains—especially number two Wal-Mart—appear to have skewed the overall SilverStone rating. Wal-Mart's managers gave the cookware a 64% rating—as an individual housewares rating, second only to that chain's Rubbermaid score. The 19% score from industry-leader K mart was more modest but still far higher than the 3% Zayre score and Target's 7% rating.

Completing the top five, Anchor Hocking edged out Ekco by a single point with its 14% score. Last year, the glassware line placed number three, with an overall score of 17%.

The downward drift came chiefly because of significantly less support among managers at upscale chains. This year, Anchor Hocking received only an 8% rating from those managers, down from last year's 21%. At Target, the upscale chain highlighted, the drop was from a 29% rating to 17%.

Anchor Hocking also did worse among conventional discounters on average, but its fall was cushioned by improved performances at K mart and Wal-Mart. Its average score among conventional store managers dropped four points to 13%. At K mart, the brand's rating rose from 8% to 17% and at Wal-Mart from 15% to 18%.

Regionally, the housewares brands turned in relatively uniform performances.

The biggest variation came in the performance of the Corelle line. Its high score of 32% in the West was almost double its next-best regional performance. Last year, the West gave Corelle its lowest regional rating, 7%. Corelle was weakest this year in the Northeast and South, where it scored 12%.

SilverStone also showed a relatively high degree of variation by region. Its poorest showing was in the West at 8%, but in the South, aided by its high degree of support at Wal-Mart, it rose to 20%.

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Rubbermaid	43%	76%	60%	41%
Corning	31	34	9	7
Corelle	19	28	22	7
SilverStone	19	64	3	7
Anchor Hocking	17	18	11	17

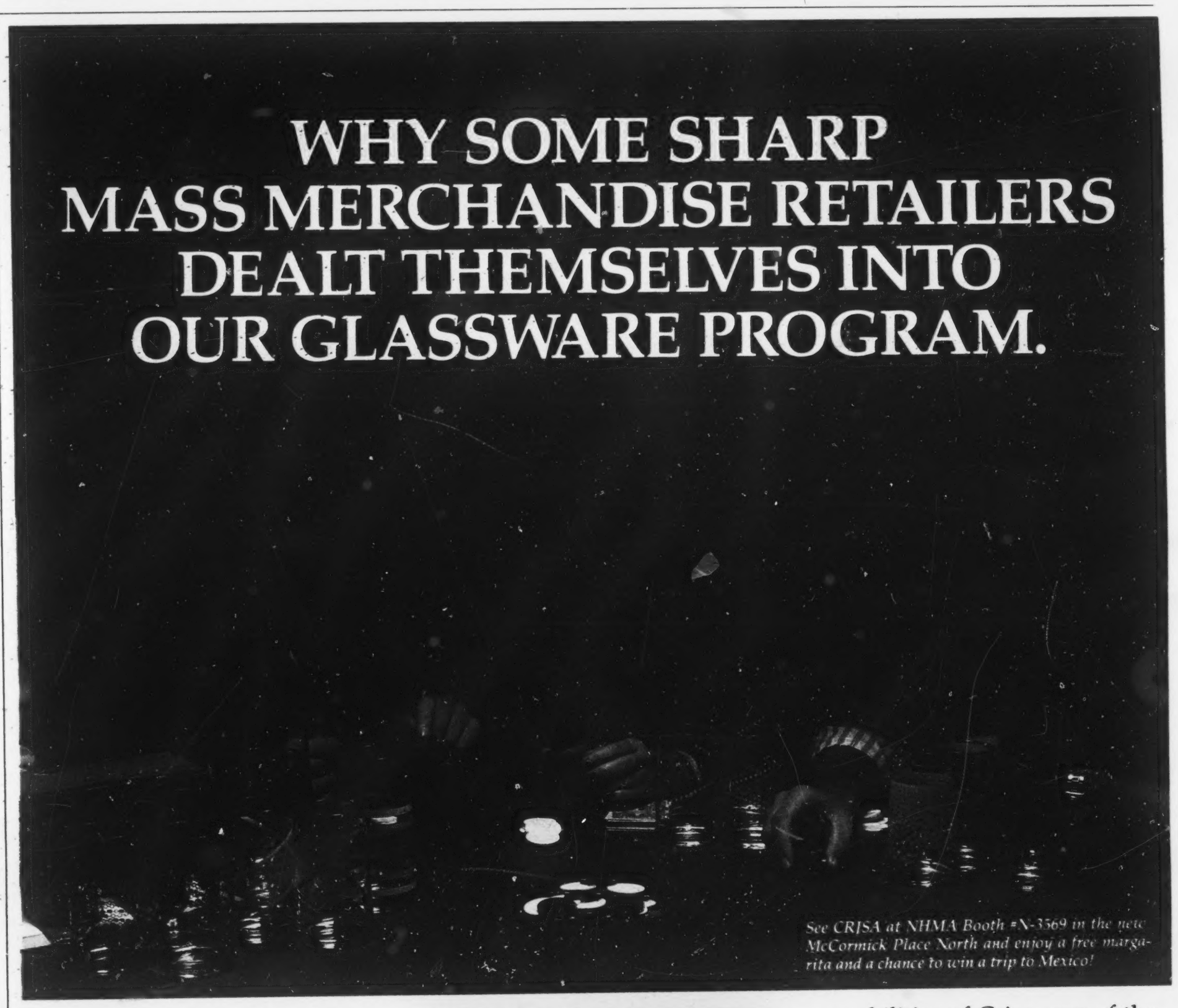
Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Growth Regions

Northeast:	23%
South:	13%
North Central:	22%
West:	25%

In housewares, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the West—25%.

Source: DSN/*Leo J. Shapiro & Assoc.*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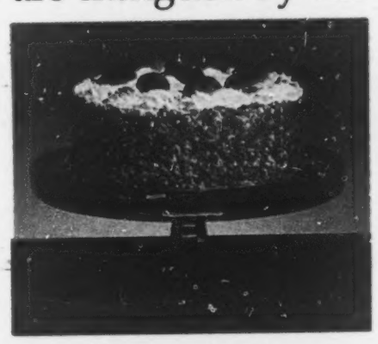

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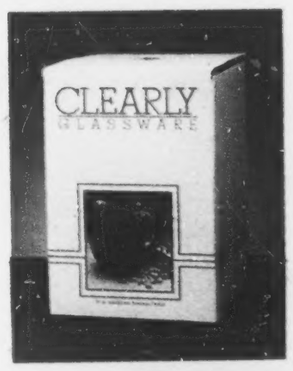

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Procter & Gamble Rides on Tide of Discounter Good Will

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Tide	26%	43%	27%	64%
Windex	29	47	21	15
Procter & Gamble	16	45	22	21
Lysol	26	16	14	13
Clorox	8	44	23	24

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Nationwide DSN Report

Procter & Gamble failed to run away with the competition in the household chemicals category this year, but, nonetheless, did well.

Last year, discount store managers placed five P&G brands on the list of the 10 most highly regarded names. In addition, they placed the company at the top of the list, even though it is not a brand.

In a national *DSN* survey, discount store managers were asked to name their most important brands in the household chemicals category. This year, one out of three chose Tide, a detergent made by Procter & Gamble. Tide also was the highest rated product last year with a 29% score but placed second overall because 32% of the managers also named the company.

Tide was more frequently selected by managers of upscale discount stores both years, but the margin decreased in 1986. This year the upscale rate of mention was 39%, while conventional store managers gave the detergent a 30% rating. Last year the figures were 53% at upscalers and 20% at conventionals.

The product that placed right behind Tide both years was Windex. This year, however, Windex placed second overall on the top 10 list against third last year.

Windex bettered its overall rating with discounters by 10 points to 23%. Last year, it was favored by more upscalers than conventional-store managers by a margin of 22% to 10%. That trend was reversed in 1986 with the conventional store rating rising almost threefold to 28%, while the the upscaler score sagged to 13%.

Procter & Gamble, last year's champion at 32%, placed in a tie with the Lysol brand for third ranking in 1986 with an 18% score. As last year, P&G was favored by conventionals, although the margin is smaller. The company scored with 21% of managers of conventional stores, down from 37%. Its rating among upscale managers dropped six points to 13%.

The seven remaining products on the top 10 list were also-rans last year, scoring 1% or less. All seven displaced other names that in 1985 had scores ranging from 1% to 9%.

The big winners were Lysol and Dow Chemical. Lysol caught up to P&G in frequency of mention, while both Dow and its Fantastic brand cracked the top 10.

Fantastic finished almost tied with Clorox, just behind Lysol and P&G, with a 17% rating. Clorox was favored by managers of conventional stores, being rated a top brand by slightly more than one of five managers, while its upscale store rate of mention was one in 10. Fantastic was favored by upscalers, scoring 23% with them against 14% at conventionals.

Dow was close behind these two brands with an overall rate of mention of 15%. The company held a slight edge with conventionals at 16%, versus an 11% rating with upscalers.

The final three names on the list were tightly bunched.

Pinesol held a small lead, with an overall rating of 9% across the board.

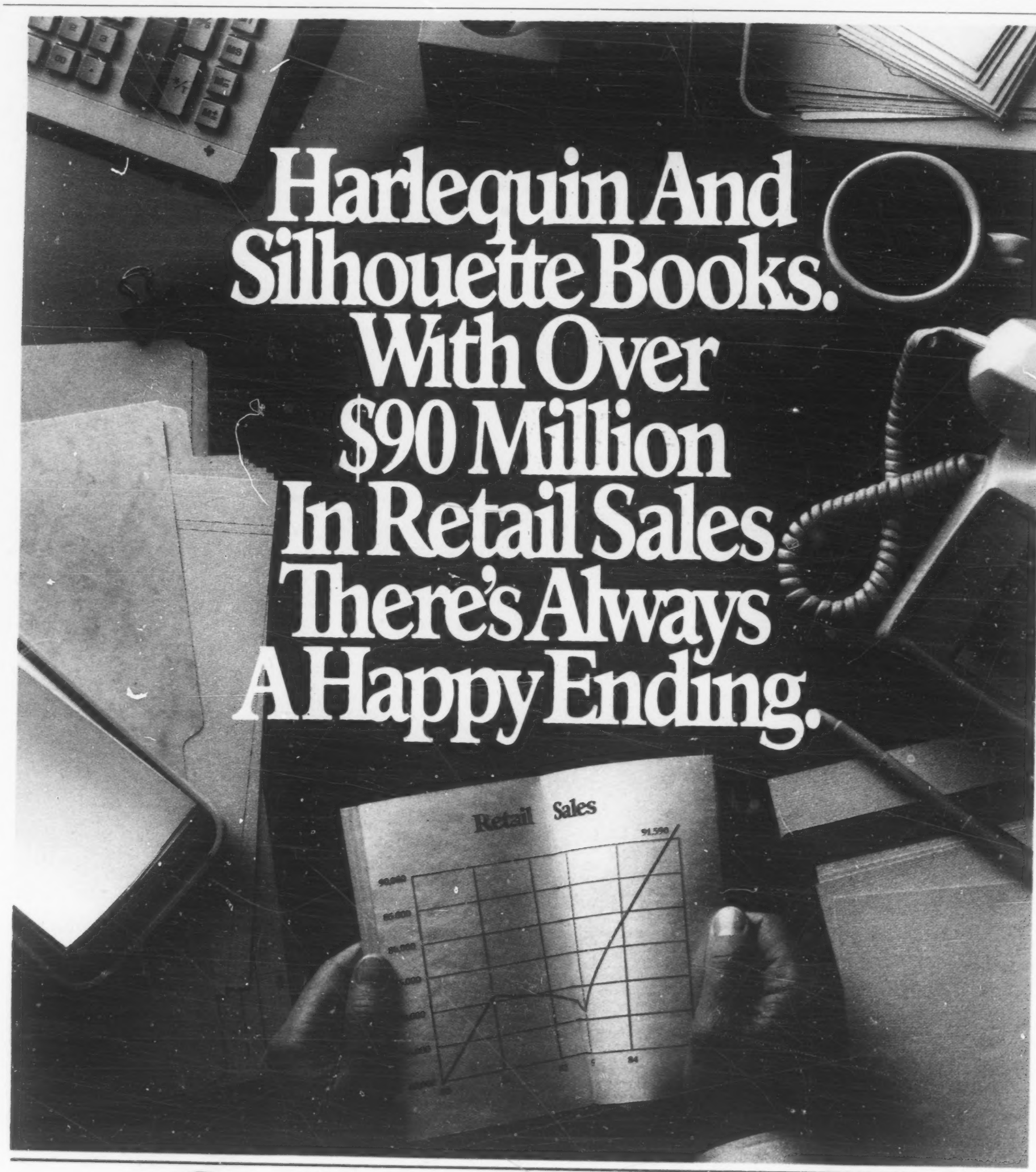
Formula 409 was close behind with 8%, reached by virtue of a 7% score at conventionals and 9% at upscalers.

No. 10 on the list was Texize at 7%. It did better with conventional discounters than with upscalers. Conventional store managers gave it a 10% rating, while 2% of managers at upscale stores considered it important.

In general, scores were higher this year, except for the two top places on the list. For example, Texize finished tenth at 7% in 1986, but the same score would have placed it sixth last year. Four brands made the top 10 list with ratings no higher than 5% in 1985.

In an examination of results from four leading discounters,

(Continued on page 53)



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P&G Rides Tide Of High Regard Among Chains

(Continued from page 51)

Tide scored high marks at Target and Wal-Mart at 64% and 43%, respectively. But the Target score was down from 75% in 1985, while the Wal-Mart rating climbed 13 points.

Even the scores at K mart and Zayre increased, although still lagging behind the average. At Zayre, Tide jumped from 6% to 27%. The K mart score rose from 9% to 26%.

Wal-Mart gave Windex a big boost as a leading brand. In 1985, the brand registered 2% at the chain but rocketed all the way to 47% this year. Windex also scored solid gains at K mart and Zayre. The K mart rating climbed from 17% to 29%, and Zayre's managers added 11 points to give the window cleaner a 21% score this year.

In contrast, Windex's rating at Target slipped six points to 15%.

The Procter & Gamble company scores dropped at the three conventional chains but rose six points at Target to 21%. P&G lost 20 points, for a current K mart rating of 16%, and dropped 25 points at Wal-Mart to 45% but dipped four points at Zayre to 22%.

Lysol scored well at K mart, with a 26% rating, while its numbers at the other three chains were in the mid-teens.

Clorox did poorly at K mart, with just 8% but scored well at Wal-Mart with a 44% rating as a top brand. At both Zayre and Target, the brand's rate of mention was slightly less than one in four.

Regionally, Tide was a favorite with discounters in the North Central section. Its weakest area was the Northeast, where its rating dropped to just over one in five.

Windex did best in the Northeast and South, with identical 29% scores. It, too, lost half its strength in its weakest region, rating with 14% of Western store managers.

Procter & Gamble exceeded 20% in both the South and North central regions but dropped to 12% in the Northeast and 8% in the West.

Lysol's scores ranged from a high of 29% in the West to a low of 13% in the South.

Clorox bleach hit a high of 29% in the South. Yet its scores in two regions, the North Central and especially the West, were lower than the national average, 13% and 8%, respectively.

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Tide	33%	30%	39%
Windex	23	28	15
Procter & Gamble	18	21	13
Lysol	18	19	16
Clorox	17	21	10
Fantastic	17	14	23
Dow	15	16	11
Pinesol	9	9	9
Formula 409	8	7	9
Texize	7	10	2

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Tide	21%	35%	42%	29%
Windex	29	29	22	14
Procter & Gamble	12	22	25	8
Lysol	21	13	15	29
Clorox	17	29	13	8
Fantastic	30	18	8	18
Dow	17	16	12	15
Pine Sol	2	13	7	11
Formula 409	6	7	6	12
Texize	10	8	7	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Growth Regions

Northeast: 1%

South: 7%

North Central: 7%

West: 1%

In household chemicals, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the South and North Central, both 7%.

Source: DSN/Leo J. Shapiro & Assoc.

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FOOD MERCHANDISING
FOR DISCOUNT RETAILERS

A Lebhar-Friedman Publication
OCTOBER 1986

Direct store deliveries unlock snack foods profit potential

Pet foods attract repeat shoppers

Waldbaum's commits to diet ad promotion

The Rotation Diet may not be for everyone, but the promotion idea could work.

Ira Waldbaum, though, is committed to both.

The president of the Long Island-based supermarket chain that bears his name invited his

Waldbaum's Brings 'The Rotation Diet' to the Big Apple!

Start 'The Rotation Diet' that's slimming America now

Everything You Need Each Week...FREE!

Guess Who's Going on the Rotation Diet?

Weekly 'Rotation Diet' Schedule...

customers to join him in a weight loss program on the full page opener of the chain's weekly tab.

What proves slimming for him and his customers, he's hoping, will fatten traffic for the chain.

As a show of good faith, he's also promising to print his hopefully dropping weight in future circulars.

Waldbaum shopper/dieters can sign-up, weigh-in, pick up weekly menu/instruction guides and shop for that week's diet menu at the supermarket.

Special signs will be posted throughout the store to direct shoppers. Waldbaum will also print the Rotation Diet symbol in ads to alert dieters to items included in the weekly menu.

POPAI study reveals shopping habits

Shopping habits have changed, making eye-catching displays and an in-store presence sucessful marketing tools for discounters, a new study by the Point-of-Purchase Advertising Institute (POPAI) has revealed.

The study, the Consumer Buying Habits Pilot Study, reported that a scant 19.3% of all consumers stick to their shopping list, down nearly 50% from a similar study made in 1977. Impulse purchases accounted for an astounding 60.4%, and substitute purchases increased from 3% in 1977 to 5% today.

According to the survey, 80.7% of all purchases are a direct result of consumers picking and choosing while in the store; the 1977 study found that 64.8% of all purchases were in-store decisions.

For example, a whopping 90% of all cookie purchases were the result of in-store choice, and 80% of candy and gum buys were also spontaneous buying decisions.

Soft drink and coffee buyers were found to be almost as indecisive about brand choices, with coffee garnering a 67.7% in-store decision rate and soft drinks a 66.7% rate.

Those who shop for coffee also exhibited the most significant jump of in-store buying habits: In 1977 only 43.7% of all coffee purchases were decided within the store.

Canned soups jumped 10% from the previous study, to 78.6%, and baby foods were slightly higher, with a current in-store decision rate of 62.5%, up from 61% in 1977.

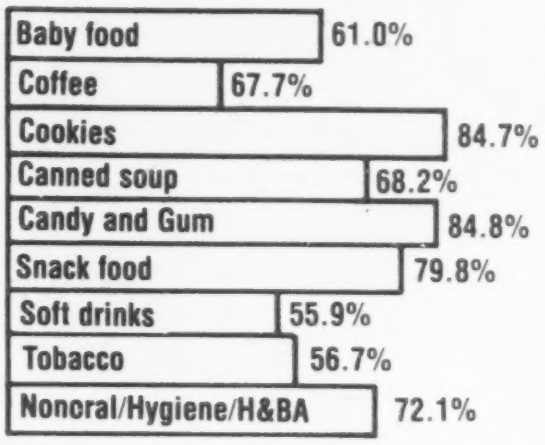
Nonoral hygiene/H&BA products dipped from 72.1% to 57.1%, and tobacco sales also showed a slight decrease, dropping from 56.7% in 1977 to 50% this year.

The pilot study was conducted in three regionally dispersed markets to test the feasibility of the full-scale project.

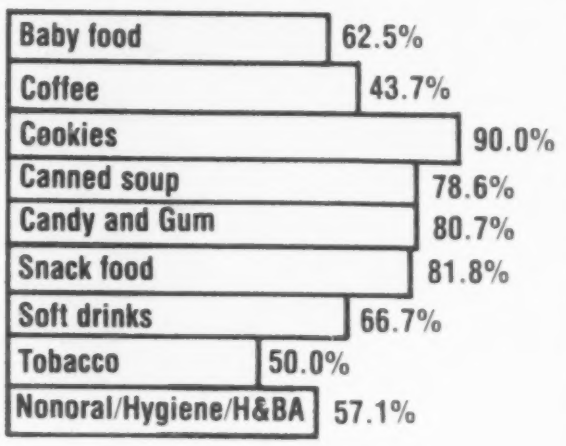
"Although the pilot study findings are based on a much smaller base than the full-scale project, they are a good indication the in-store presence is increasingly important to sucessful marketing," said John M. Kawula, POPAI president-elect.

"Product managers will need to take a long hard look at the quality and quantity of their merchandising to influence the shopper who is obviously not pre-sold on their brands," he added.

1977 total supermarket in-store decisions



Vs. 1986 pilot supermarket in-store decisions



Source: Point-of-Purchase Advertising Institute

Frost & Sullivan detail European cleaning supply sales

Household cleaning supply sales in four European countries, France, Italy, Germany and the United Kingdom, will increase 11% by 1991, from $4.6 billion in 1985, according to a recent Frost & Sullivan report.

Hypermarkets, discounters and supermarkets own the cleaning chemicals market in three of the countries: France, Germany and the United Kingdom, accounting for 90% of the washing products sold in those countries.

Supplier analysis shows that Henkel leads overall in Germany, ahead of Procter & Gamble and Lever Bros. In the United Kingdom, Lever hold the edge over P & G, and this is reversed in portions of the French market.

Beverages: Turns, yes. Profits . . . ?

While it's no secret that the the beverage department can lure in traffic, the problem for discounters is how to make this high-turn category profitable.

A major discounter the size of Target or Bradlees can move close to one million cases of soft drinks per ad. On the average, discounters reported startling turns as high as 45 times a year in the soft drink category.

But the nagging question is: Can they make any money?

Especially sharp competition for the $30.4 billion pop market has made it almost impossible for discounters to produce gross margins over 15% in the category. Some chains such as Caldor or Hills in Canton, Mass., eschew the category altogether.

"We don't carry soft drinks because we just have not found a way to make any money on it," lamented Hills' Ed Zimmerlan.

But the sheer traffic the beverage department can lure makes it worth the effort for chains such as K mart, Target, Pamida and Ames. "We do sell soft drinks, often in cut cases," reported Ralph Shulansky, senior vice president and chief financial officer for Ames. "But it is bought locally and serviced by the distributor

The U.S. market for juices and drinks

Year	Manufacturers' Sales	Annual % Change
1972	$ 1,810.9	—
1977	3,185.3	12.0%[1]
1978	3,666.2	15.1
1979	4,363.1	19.0
1980	4,652.7	6.6
1981	5,158.3	10.8
1982	5,510.1	6.8
1983	6,035.1	9.5
1984	6,561.2	8.7
1985[E]	7,478.9	13.9
1994[P]	16,705.2	9.8*

[1]—Compound Annual Growth Rate
[E]—estimate by BTA
[P]—projection by BTA
*—Compound Annual Growth Rate 1984-1994

Source: U.S. Department of Commerce; Business Trend Analysts

Razor thin margins are forcing discounters to rethink beverage department locations. Jamesway recently moved sodas deeper into the store.

to keep up with the category."

Ames stocks a full gondola run located just off the left of the store entrance, near health and beauty aids. Soda is promoted around key seasonal events. An early summer ad, for example, touted a six-pack of Pepsi for $1.69. "We find it does draw traffic and we can make a little money," Shulansky added.

A spokesman for Seven-Up said, "We have seen more discounters put in soda and do well with it because they are giving it high visibility at the entrances to stores and on end-caps."

Soft drinks sales are up substantially in discount outlets. Just four years ago, for example, discount units garnered less than 5% of the $20 billion spent on soft drinks in the United States. Now, vendors estimate, discount units produce almost 10% of overall volume. Supermarkets still control the lion's share with about a 60% penetration. Those who have mastered the business say the key is control and finding a reliable jobber.

"There are so many new brands and pricing is so crazy, that you have to trust the supplier," confided a source at a midwest discount chain.

Jobbers stock and maintain the pop departments at most major discounters and ordering is done at store level. Many jobbers give attractive 30-day terms. So, if the product moves 20 times on an everyday basis and up to 50 times on deal, there is a two- to three-week period before payment is due—making for a comfortable cash flow.

Discounters added that they are careful not to over promote or under promote the category. At Target, for example, ads are set at the corporate level. Recommendations are also made concerning quantities. Retailers said that they only sell pop at cost in dire competitive situations or at key seasonal times.

K mart learned the lessons of managing a soft drink department the tough way: failure. In 1982, K mart tested soda but quickly rescinded when it found that it was giving the product away. The culprit was a program which overloaded the stores with slow-turning merchandise. K mart actually had too many brands. The soda category in discount stores, suppliers add, follows the 80/20 rule—80% of the business can be done with 20% of the sku's.

Troy, Mich.-based K mart is back into the business with departments that are strictly controlled. The category is located in front, center aisles to create a strong image.

Although Coke and Pepsi control the business in discounters, the soft drinks wars are expected to really heat up later this year when the juice-added drinks flow into the distribution system. Discounters contacted by *Discount Store News* said it was too early to judge just how successful these items will be. But they did express concern about where the new sku's will be placed in already-crowded departments.

Gallon consumption of soft drinks
(Manufacturers' sales)

	Total Gallons	Annual % Change
1981	8,909.3	3.7
1982	9,148.1	2.7
1983	9,468.2	3.5
1984	9,846.9	4.0
1993*	13,642.4	3.7

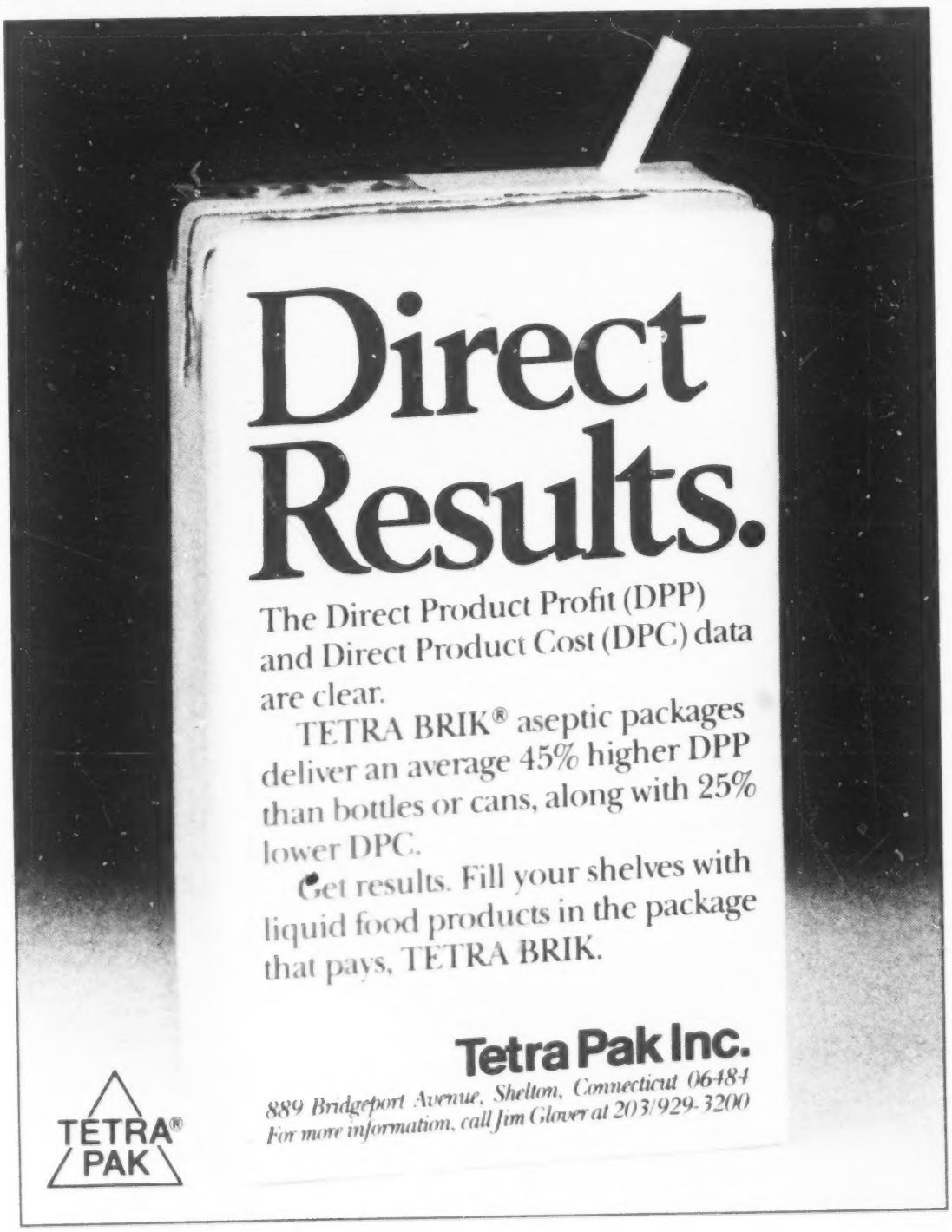
* = projected

Source: Business Trend Analysts

Beverage firms are more sanguine about the future of juice-added sodas. They say health-conscious Americans indicate a need for carbonated products with some juice. This has already been witnessed, points out one Pepsi distributor in the Greater New York Area, by the success of diet drinks.

To tap into that demand, the manufacturers are ready with new entries. Slice and Sunkist already have netted space in departments as have Seven-Up's new Citrus 7 and Coca-Cola's Minute Maid and juice version of Crush. Orangina, which introduced its orange juice-based soda in the United States in 1980, is unveiling a new grapefruit variety this year. Pepsi's Slice has already snared an impressive 2.2% of the soda market in just under a year.

Despite the huge dollars pumped into soft drinks, however, buyers said that the consumer is fickle and often buys whatever the deal brand of the week is.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Carrying top lines and promoting can create an exciting pet department.

There's profit potential in pet food

Although less than 5% of the top discounters stock pet food, those that do say that with a little work the department can turn eight times a year.

Most of the nation's discounters are passing up a shot at the bustling $5.5 billion pet food market. In fact, less than 5% of the top discount operators stock pet foods on a day-in, day-out basis.

Yet, a handful of retailers who have committed to the category with planogrammed sections are finding, with a little work, the department can draw customers, bring in repeat business and hike average transactions. When managed properly, buyers said, the department can turn as many as eight times per year.

As discounters continue to venture into food items as a method to serve customers' one-stop shopping desires, pet food is likely to find a home under discount store roofs, said manufacturers.

The hurdles to overcome include determining the proper mix, finding space and a good location in already crowded stores and learning how to promote the key items. Also paramount, said Richard Wykoff, buyer for Danners, is buying enough items from one or two sources to strike the deals needed to produce adequate margins.

Because the category is tough to

10-year growth of pef food
(In millions)

Year	Manufacturers' Sales	% Change
1975	2,581.7	8.4%
1976	2,629.7	1.5
1977	3,071.0	16.8
1978	3,265.6	6.3
1979	3,390.1	3.8
1980	3,804.6	12.2
1981	4,102.7	7.8
1982	4,437.6	8.2
1983	4,613.8	4.0
1984	4,900.6	6.2
1985	5,500.0	12.2
1993*	9,612.2	74.8

* = projected

Source: Business Trend Analysts

manage and hard to move through distribution systems, retailers often turn to local suppliers. This results in a poor mix and causes a chain to delete pet foods. Many such as Caldor, prefer to forego pet foods altogether and stick with easier-to-manage pet supplies.

K mart tossed pet foods out a few years ago after an unsuccessful bout with the category. Poor turns and a lack of promotion resulted in a residue of merchandise.

"They had broken bags and that caused infestation," explained one source familiar with the test. "They also had big bags and canned items. The discount shopper buys pet food on impulse and will not buy big bags or huge quantities."

Another problem encountered by K mart and others such as Zayre who also tried pet departments, was that local suppliers did not always put in the name brands. "You have to remember," said Mark Morris, editor of *Feeding Dogs and Cats*, "American pet owners will buy premium brands for their pets and cut costs for their own needs."

The first try with pet foods, however, was not enough to keep K mart from trying again with tests in a few select markets. Suppliers said the chain is entertaining the idea of returning to pet foods, but this time buying direct and emphasizing brand names. A K mart spokesman said no plans are on tap for a planogrammed department at this time.

"When you consider that probably 60% to 70% of shoppers passing through K mart own a pet, you realize it holds great potential for discounters," offered Tom Mainwaring, national sales manager, special markets division, for Carnation.

And, the number of Americans harboring a pet, especially cats, is swelling. There are now 46.3 million felines in 27.2% of American homes, up 25% from 1980. There are 50.2 million dogs in 39.4% of the country's dog houses.

According to Commack, N.Y.-based Business Trends Analysts, Americans will plunk down almost $10 billion for the feeding of their pets by 1993. Currently, added John C. Maxwell Jr., an analyst with Furman Selz Mager & Birney, 90% of total pet food sales have been rung up at supermarkets.

But drug stores are enlarging their selection and producing sales gains as high as 12%. Some discounters are fighting for a morsel of the business, too. Alco, Pamida, Target, Venture, Wal-Mart and Fedco head the list of discounters with everyday, planogrammed pet departments. Although most locate foods on back walls or gondolas within the food or household chemical areas, some, such as Wal-Mart, unabashedly put pet foods in the front cross aisles.

Others, including Jamesway, Clover and most wholesale clubs, bring in pet food on deal. Often contained in cut cases, pet food promotions can draw traffic, confirmed a source at Jamesway. The discounter recently ran a case promotion for a chainwide dollar day sale. Especially sharp prices, such as Alpo in a case of 24 for $9.99 and 24 cases of 9-Lives priced at two cases for $15, resulted in "very strong" movement.

Case loads of pet food are moved by warehouse clubs, reported Mervyn Weich, president of B.J.'s Wholesale Club. "Turns are the key to our format and we find some customers feel it is worth saving money on the big quantities of pet food."

But it still can be hard to find a method to make money, reported Ed Zimmerlan of Hill's.

Manufacturers offered, however, that carrying the top lines, buying on deal and promoting can make for an exciting department. A retailer needs to stock, depending on store size, a 24-ft. to 36-ft. department with about a 50/50 split between dog and cat needs.

Wykoff at Danners said his departments average 12 to 16 ft. Although he stocks more cat sku's, dog foods receive slightly more footage because of the larger bags. Dan-

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EXTRA LONGER LASTING
Dog Biscuits
Bansect
flea & tick collar for cats
•kills fleas for 4 months
Bansect
flea & tick collar for dogs
•kills fleas for 4 months
Litter Guard
CAT LITTER
While many discounters have opted to bypass pet foods, those that stock the category claim traffic building success with circular promotions.

Jamesway's recent promotion of Alpo at $9.99 for a 24-can case and 9-Lives priced at two cases for $15 resulted in "very strong movement."

ners, he added, promotes at least two pet items per ad. Carrying pet foods, Wykoff said, also results in brisk movement of the higher gross accessories such as dog toys and collars. By merchandising food near these supplies—which typically yield margins of 45% and up—Danners can reap overall attractive gross margins.

"I keep my pricing competitive with supermarkets, but the payoff is in accessories," he said.

Also nudging up margins, said a buyer for Gemco, is a move toward "gourmet" foods. These products, such as Fancy Feast, are usually contained in cans with attractive graphics targeted to please the owner more than the animal.

"As with any premium item, there are higher margins," the buyer reported. Accordingly, he gave a fair play to these items in his 48-ft. pet departments.

At Target, footage in the 30-ft. to 40-ft. departments was allocated by movement. The leading dog food for over 25 years is Purina's Dog Chow. Heinz's 9-Lives leads wet cat food, followed by Mars's Kal Kan, Carnation's Friskies Buffet and Fancy Feast. In dry, Ralston Purina's Cat Chow leads the charge, followed by Carnation's Friskies, Ralston's Meow Mix, 9-Lives' Crunchy Means, Ralston's Happy Cat and Mars's Crave.

It is not getting easier to feed the resident pet, concluded research from Maxwell. The average cost of pet food is up from 58¢ a lb. five years ago, to 82¢ per lb.

"Discounters are seeing other operators bringing in customers with pet foods and discounters are not stupid—I won't be surprised if they give the department a try," concluded a spokesman for Purina.

The market for pet food by type
($ millions)

Year	Dog and Cat Food	Annual % Change	Other Pet and Specialty Food	Annual % Change
1977	$2,549.2	—	$ 521.8	—
1978	2,699.9	5.9%	565.7	8.4%
1979	3,115.6	15.4	274.5	−51.5
1980	3,368.0	8.1	436.6	59.1
1981	3,686.4	9.5	416.3	− 4.6
1982	3,927.2	6.5	510.4	22.6
1983	4,077.4	3.8	536.4	5.1
1984E	4,336.8	6.4	563.8	5.1
1993P	8,605.2	7.8*	1,006.9	6.5*

E = estimate
P = projection
* = average annual growth 1983-1993

Source: Business Trend Analysts

Candy Dominates Top 10 Brand Choices in Snack Foods Area

Nationwide DSN Report

The market for snack food continued to be strong in discount department stores, according to store managers surveyed about top brands in food, candy, snacks and beverages.

Candy dominated the top choices, with M&M, Hershey's, Mars, Brach's and Sather all earning a place among the store managers' choices for Top 10 brands. The list is rounded out by Planters, Frito-Lay, Coke and Pepsi.

New programs and improved presentations have produced some changes in the Top 10 rankings for 1986, compared to 1985. Planters moved up to the top spot this year from second last year. M&M gained the most ground by moving from sixth on the 1985 survey to second this year. Hershey's was nudged out of the top spot and slipped into a tie with M&M for second place. Mars also slipped from third to fourth place.

Brach's hung on as the fifth favorite brand in the category for two consecutive years. Frito-Lay lost ground, slipping from fourth place to sixth. Nabisco rated seventh place for the second consecutive year.

Coke again edged out Pepsi as it did last year, with Coke occupying the number-eight spot and Pepsi right behind in the number-nine slot. The two brands moved up one spot from last year when Keebler, number eight, fell from the Top 10 list. Sather's program won it a place as number 10 on this year's list.

When rated by managers from different types of outlets—All Discounters, Conventional Discounters and Upscale Discounters—Planters performed best for conventional discounters, with 47% of managers from those stores naming it as their top choice. It did worse in upscale discounters, where managers rated it at 40%. The same pattern of popularity holds true for M&M. The brand did best in conventional discount stores, 45%, and was rated at 36% in upscale discounters.

Hershey's did well in all three types of stores, with a 43% rating from conventional discounters, 42% from all discounters and 40% from upscale stores. Results for Mars showed the same pattern of success in all three categories of stores. Brach's scored best, 35% in conventional discounters, and lowest, 30%, in upscale stores.

Results differ more sharply among the bottom five brands on the Top 10 list in different store settings, but the majority fared better in conventional discount stores and worse in an upscale setting. The exceptions are Coke and Pepsi. Both were rated higher by store managers from upscale stores and lower for conventional discounters.

Sather was rated higher by conventional discounters, second by all discounters, and received no mention from managers of upscale stores.

Among the industry's top five chains, Planters was rated the highest by Wal-Mart managers at 64% and lowest by Target at 34%. M&M did best at K mart with 56%, against 39% at Zayre. Hershey's did equally well at K mart and Zayre, with 56% from both, compared to 18% at Wal-Mart. Mars' program has consistent approval from all four major chains, with only four percentage points separating the highest rating, K mart and Wal-Mart, and Zayre, 41%.

Reactions to Brach's brand vary widely. Wal-Mart store managers rated it at 72%, while Zayre and Target awarded it a single-digit rating.

Store managers from different regions differ greatly in their appraisal of the top 10 brands. Planters did best in the North Central region, with a 49% score, compared to 40% in the Northeast. M&M's strongest support is in the South, 51%, compared with 31% in the North Central region. Hershey's fared best in the Northeast with 50%, and worse in the North Central states, 31%.

Mars did best in the South and the West, 46% and 45% respectively. The brand fared worse in the Northeast and the North Central states, where it garnered equal ratings of 36%.

Brach's got the biggest endorsement from store managers in the South, 44%, compared to 22%, or exactly half, from the West region. Frito-Lay did equally well in the South and the North Central regions, with the same rating of 38%. In the Northeast, it was rated at 21%. Nabisco is one of the few brands that did best in the North Central region, 28%, versus 12% in the Northeast.

Coke and Pepsi both drew their main support in the North Central region. Sather did best in the West with a 13% rating, compared to 5% in the Northeast.

When store managers were asked to project changes in sales volume for the Top 10 chains in 1986, the results show uncertainty about growth and several estimates of flat sales or actual declines.

Among the top four brands, Planters, M&M, Hershey's and Mars, store managers said it was almost as likely the products would generate increases in excess of 10% as they would flat results or actual declines. There was more certainty about Brach's. By a clear margin, store managers said they expect no growth or perhaps a decline in sales.

Frito-Lay was considered likely to achieve a sales increase in excess of 10%. Nabisco also was expected to make sales gains, but the gains would be more modest. Store managers expected Coke and Pepsi to make sales gains this year, but projections showed no strong pattern for the amount of the gain. Sather was expected to make headway but almost certainly less than a 10% increase.

At a Chicago Zayre store, two-liter bottles of soda are stacked on top shelf. Coke and Pepsi made the Top 10 in the DSN top brands survey, although candy edged out both. (DSN *photo*)

An overview of the candy and food department in the same Zayre store in Chicago shows a wide brand assortment of juices, candy, crackers and soda. (DSN *photo*)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Planters	59%	64%	50%	34%
M&M	56	52	39	42
Hershey's	56	18	56	26
Mars	45	45	41	44
Brach's	24	72	7	8

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Planters	44%	47%	40%
M&M	42	45	36
Hershey's	42	43	40
Mars	41	42	38
Brach's	34	35	30
Frito-Lay	33	38	23
Nabisco	24	28	15
Coke	12	10	16
Pepsi	9	8	13
Sather	9	14	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Planters	40%	45%	42%	49%
M&M	43	51	31	44
Hershey's	50	43	31	49
Mars	36	46	36	45
Brach's	27	44	34	22
Frito-Lay	21	38	38	26
Nabisco	12	25	28	23
Coke	11	13	19	—
Pepsi	9	7	18	—
Sather	5	11	8	13

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Growth Regions

Northeast: 3%

South: 3%

North Central: 4%

West: 10%

In food, candy and snacks, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the West—10%.

Source: DSN/*Leo J. Shapiro & Assoc.*

SPORTING GOODS/TOP BRANDS

Wilson Nails Down Leadoff Spot in Sporting Goods Lineup

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Wilson	52%	76%	62%	55%
Coleman	42	67	52	36
Spalding	45	47	36	32
MacGregor	55	6	7	7
Zebco	9	30	30	6

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Nationwide DSN Report

The top three brands in sporting goods favored by store managers remained the top three in the lineup over the past year, but Wilson grabbed the top spot from Coleman, now bumped to second place, while Spalding keeps a secure hold on third place.

Outside of the realignment in the top three brands, the changes came fast and furious. The big winner was MacGregor, moving up from ninth on the list last year to fourth in 1986. Diversified lost the most, slumping from number eight to number 20 this year.

New products and marketing programs by Shakespeare, Huffy and Rawlings catapulted last year's also-rans onto the 1986 Top 10.

Garcia and Spalding represent islets of stability in a sea of shifting loyalties. Spalding has remained store managers' choice for the third best brand in the category for two successive years, while Garcia has anchored the top 10 list for the same period.

Daiwa and Remington slipped from last year's ranking of sixth and seventh, respectively, to 11th and 12th this year. Others in the top 20 were: Penn, Nike, Berkley, Puma, Gott, AMF Voit, Thermos and Diversified.

Among store managers at K mart, Wal-Mart, Zayre and Target, preferences for the top five brands remained fairly consistent. The Wilson brand was most valued by the Wal-Mart store managers who participated in the Top Brands survey. Wilson was the top choice of 76%. K mart managers were slightly less enthusiastic than their Zayre and Target counterparts, with 52% choosing Wilson as their top sporting goods brand.

Coleman was cited by 67% of Wal-Mart managers as the next best performer, its highest rating, while 36% of Target managers agreed, its lowest rating.

Support for the Spalding brand was less varied, with Wal-Mart giving it the strongest endorsement, with 47% and just 32% from Target, the lowest rating.

MacGregor clearly has a solid relationship with K mart, based on a tally of 55% from that chain's managers, in contrast to the single-digit ratings MacGregor received from Wal-Mart, Zayre and Target. Rounding out the top five brands by chain preference, Wal-Mart and Zayre managers rated the Zebco brand at 30%, while K mart and Target managers gave it a single-digit rating.

The top three brands, Wilson, Coleman and Spalding, did well in all three store categories—All Discounters, Conventional Discounters and Upscale Discounters—but were given their highest ratings by upscale discounters.

MacGregor scored a rating of 24% from conventional discounters but 5% from upscale chains. Similarly, Zebco did best at conventional discount store chains and scored lowest in upscale stores, 3%.

Igloo brand did best in upscale chains, as did Huffy. Rawlings and Garcia received similar ratings from all three types of outlet.

The top five brands turned in different performances in different parts of the country. Wilson products were rated highest by store managers in the Northeast, 57%, and lowest in the West, 37%. The Coleman brand did best in the

(Continued on page 81)

Growth Regions

Northeast: 9%	
South: 7%	
North Central: 8%	
West: 11%	

In sporting goods, the most discounter managers citing an increase in the number of brands carried (1986 vs. 1985) were in the West—11%.

Source: DSN/*Leo J. Shapiro & Assoc.*

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Wilson Picked as Leadoff Batter in Sporting Goods Lineup

(Continued from page 78)

Northeast, 53%, and was rated its lowest for the West, 39%. Spalding fared well in three regions: Northeast, 43%; North Central, 38%; South, 37%. Its lowest rating came from markets in the West, 33%.

MacGregor scored best in the West with 23%, compared with 10% in the Northeast. Zebco held a clear edge in Southern markets with a rating of 22%, compared with 3% in the Northeast.

When store managers were asked to forecast 1986 sales growth for their favorite sporting goods brands, they painted a picture of increased volume for some top brands but were uncertain about the potential of others.

A clear majority of the respondents, 59%, expect to have 10% sales increase, or better, while 17% said it may be more stable or actually lose ground. Coleman products are projected to have similar growth by 47% of store managers but 44% are concerned about sales slippage by the brand. Forty percent said Spalding sales will grow by 10% or more this year and 26% see the potential for either no growth or a sales decline.

Other top 10 brands are more vulnerable to sales declines, said store managers. The Zebco and Shakespeare brands raise the most concerns, with 22% of the managers predicting no growth or an actual decline for Zebco and 8% expecting an increase of 10% or more. Twenty-two percent expect no sales growth or a decline from Shakespeare in 1986 and 6% expect an increase of 10%.

Comments about the ability of other top 10 brands to generate increased volume show uncertainty or a lack of enthusiasm. Igloo, Huffy, and Rawlings, for example, are considered more likely to remain stable or slip than they are to grow.

Different store sizes apparently affect top 10 brand sales in different ways. The Wilson brand does best in store sizes of more than 100,000-sq.-ft. and worse in those of less than 60,000-sq.-ft. The Coleman brand was rated higher for its performance in smaller, under 60,000-sq.-ft. stores, than it did in larger settings. Spalding did well in 60,000- to 100,000-sq.-ft. stores and did slightly better in the more than 100,000 category.

Of the store managers who rated Zebco a top brand, 28% manage a store of less than 60,000-sq.-ft. The brand received single-digit ratings from managers in larger stores. Rawlings also fared better in smaller stores.

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Wilson	48%	47%	50%
Coleman	44	43	44
Spalding	38	34	44
MacGregor	18	24	5
Zebco	12	17	3
Igloo	11	8	16
Shakespeare	8	11	4
Huffy	8	2	20
Rawlings	7	8	6
Garcia	7	7	8

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

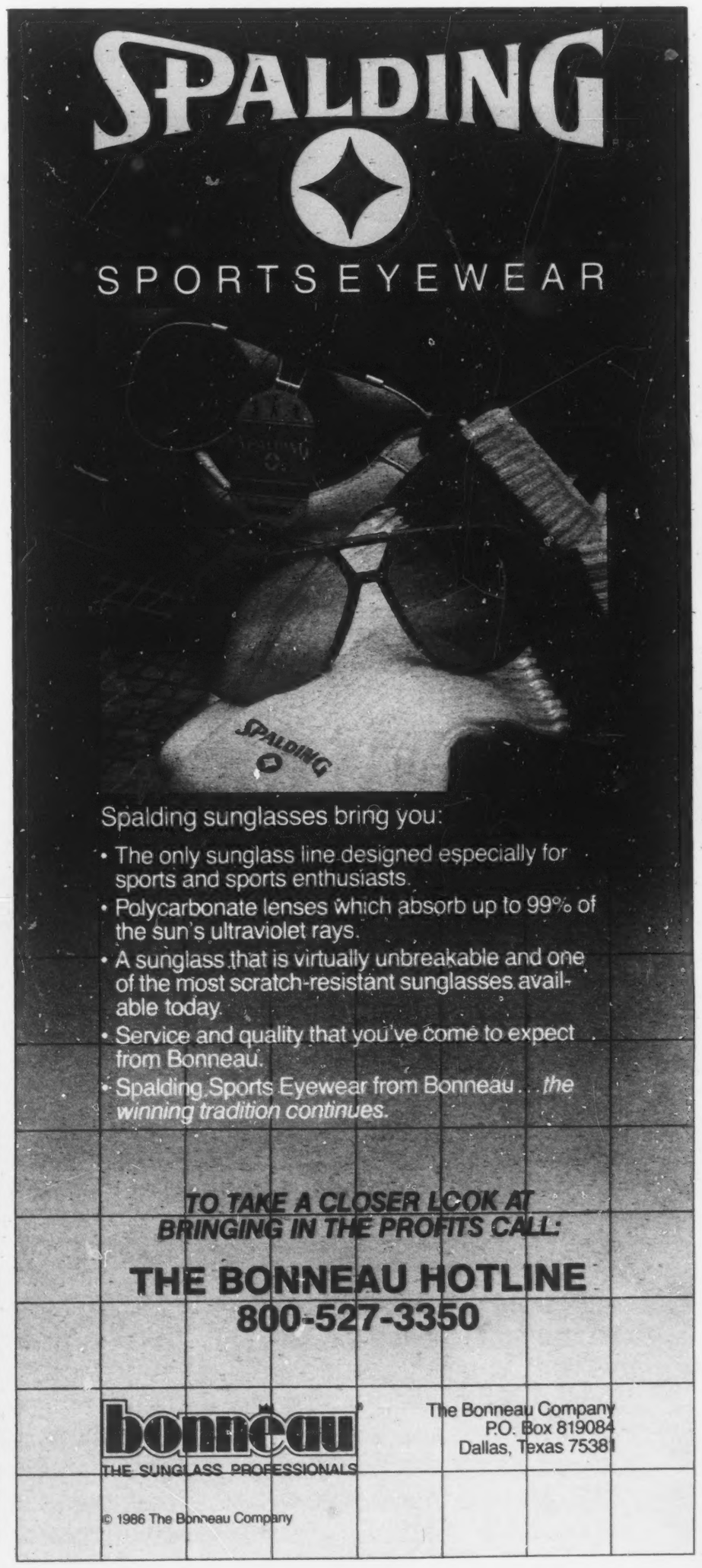
Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Wilson	57%	48%	50%	37%
Coleman	53	44	41	39
Spalding	43	37	38	33
MacGregor	10	17	19	23
Zebco	3	22	9	10
Igloo	4	12	9	17
Shakespeare	4	9	9	9
Huffy	9	7	11	4
Rawlings	9	5	14	—
Garcia	2	8	5	14

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

K mart's dominance in sporting goods is due in part to its strong year-round merchandise assortment that ranges from low price points up to high end items like golf clubs and carts. (DSN *photo*)

Located in a milder climate, ALCO's southern stores benefit from a longer selling season in outdoor sporting goods, giving a boost to fishing tackle.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Fisher-Price, Mattel Lead Toy Brands in Manager Esteem

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Fisher Price	59%	55%	66%
Mattel	53	54	50
Playskool	36	34	38
Coleco	29	31	24
Milton Bradley	22	25	18
Hasbro	18	18	20
Kenner	17	21	7
Tonka	15	18	9
Huffy	9	12	3
Gay	7	10	2

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Fisher Price	68%	49%	60%	65%
Mattel	41	56	47	68
Playskool	45	41	27	33
Coleco	32	26	34	21
Milton Bradley	37	26	19	8
Hasbro	16	20	18	18
Kenner	20	16	15	15
Tonka	16	11	17	17
Huffy	8	10	6	13
Gay	3	10	7	8

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Nationwide DSN Report

For the second consecutive year, Fisher-Price and Mattel led all toys brands in the esteem of discount store managers.

Both brands were named by more than half the managers who were polled. The managers were asked to list those brand names that were key to their toy departments.

Fisher-Price, the manufacturer of well-regarded educational and preschool toys, was named a top brand by 59% of discounters. It had topped last year's chart with a 67% rating.

Gap Narrows

As in 1985, the brand's support was higher among upscale discounters than conventional stores, but the gap narrowed. This year, 66% of upscalers chose it as a key name, while 55% of conventional store managers agreed. The margin last year was 80%, compared to 62%.

Mattel, six points back, again was the second most popular name with the managers. Last year, Mattel scored with six out of ten discounters.

Mattel's score with managers of conventional discounters was just one point below Fisher-Price's at 54%. It lagged 16 points back, however, when upscalers were polled, with citations as a top brand by exactly half of the managers. Last year, the numbers were 61% for conventionals and 53% among upscalers.

Still, Mattel maintained a comfortable lead over the number-three brand, which this year was Playskool. That brand improved its performance by 11 points to score with 36% of all discounters.

The Playskool ratings among managers of conventional and upscale stores were relatively consistent, at 34% and 38%. The brand also scored with 38% of upscalers last year but was regarded as a key name by only 21% at conventional stores.

Coleco dropped from third- to fourth place with discounters as both retailers and Wall Street wait to see if the company can come up with another runaway hit such as its Cabbage Patch dolls.

While Cabbage Patch has come down from a boil to a simmer, Coleco's 1986 rating with store managers dropped only three points to 29%. Its rating was slightly higher at conventional stores, 31%, and five points lower, at 24%, with upscalers. Last year, upscalers gave Coleco a higher score by a 15-point margin—44% to conventional discounters' 29%.

Milton Bradley cracked the top five this year after its seventh-place showing in 1985. Its overall score rose from 16% to 22%. The board game company in both years got more support from the conventional store segment of the industry. This year, the score was 25% at conventionals and 18% at upscalers. In 1985, it rated 18% and 15%.

Three other toy brands

(Continued on page 85)

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Fisher-Price and Mattel Lead Manager Top 10 Brand Choices

(Continued from page 82)
scored in the double digits.

Hasbro nosed out Kenner 18% to 17% this year for sixth place. A year ago, Hasbro was the fourth-ranked brand at 25% and Kenner was sixth at 18%.

In both years, Hasbro's support was evenly divided among the two industry segments. Its current score at conventional stores is 18% and at upscalers, 20%. Last year, the numbers were 24% at conventionals and 26% with upscalers.

Kenner Loses Strength

Kenner, however, lost strength with managers at upscale stores. In 1985, its appeal was evenly divided, with ratings of 18% and 17% at conventionals and upscalers. This year, its conventional store rating edged up to 21%, but its appeal with the upscale segment fell by more than half to 7%.

Tonka placed eighth in both surveys, with a 15% rating. The difference is that Tonka added two points to its score with conventionals to 18% and lost two points with upscalers to get a 9% rating in 1986.

Huffy finished in ninth place both years but raised its rating in 1986 to 9%. Gay knocked off Parker Brothers for the last spot on the top 10 with 7%. Parker was tenth last year at 5%.

While upscale discounters generally gave Fisher-Price the higher score, two conventional chains gave the brand exceptional support. Just under three out of four, 73%, of Wal-Mart managers cited it as a top brand. While dropping 20 points from 1985, Zayre's 71% rating remained strong.

Target gave Fisher-Price significantly less support than other upscalers. From a high rating of 79% last year, the number dropped to a below-average 52%.

K mart's backing also dropped, but by a much smaller margin. The 1985 K mart Fisher-Price score was 52%, seven points higher than this year's.

Mattel added 20 points to its 1986 Wal-Mart score, going from 61% to 81%. At Target, the rating dropped 10 points to 49%, while K mart and Zayre scores were consistent with last year's.

Wal-Mart managers also raised their opinion of Playskool by a wide margin. From a one-in-five rate of mention, Playskool shot to a 56% score at the chain. Playskool scored slightly higher this year at K mart and Zayre—breaking the 50% plateau at Zayre—but dropped nine points at Target to 23%.

While slipping in the overall ratings, Coleco actually raised its score at three of the four chains highlighted. The biggest increase was the 11-point gain at Wal-Mart to 30%. It also gained four points at K mart and nine at Zayre for 1986 scores of 27% and 56%, respectively.

While Coleco's Target score was lower, the decline was four points to 30%.

Milton Bradley scores at the three conventional chains were consistent, ranging from 26% at K mart to 28% at Zayre. At Target, the board game brand scored three points under the upscale store average with 15%.

Regionally, the South was Fisher-Price's weakest area at 49%. Its rate of mention as a top brand exceeded 60% in the rest of the country.

Mattel fared relatively poorly in the Northeast, dropping well below its overall score with a 41% score. The North Central rating also was below the national average of 53% but by only six points.

Mattel did far better with western discounters, being cited as a top brand name by more than two out of three managers.

Playskool exceeded 40% in both the Northeast and the South but dipped to 27% in the North Central area.

The two northern regions gave Coleco ratings above 30%, while western managers dropped it to 21%.

Milton Bradley was popular with Northeastern discounters, winning a 37% rating, but caught the attention of 8% of managers in the West.

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Fisher Price	45%	73%	71%	52%
Mattel	62	81	38	49
Playskool	34	56	52	23
Coleco	27	30	56	30
Milton Bradley	26	27	28	15

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Growth Regions

Northeast: 3%

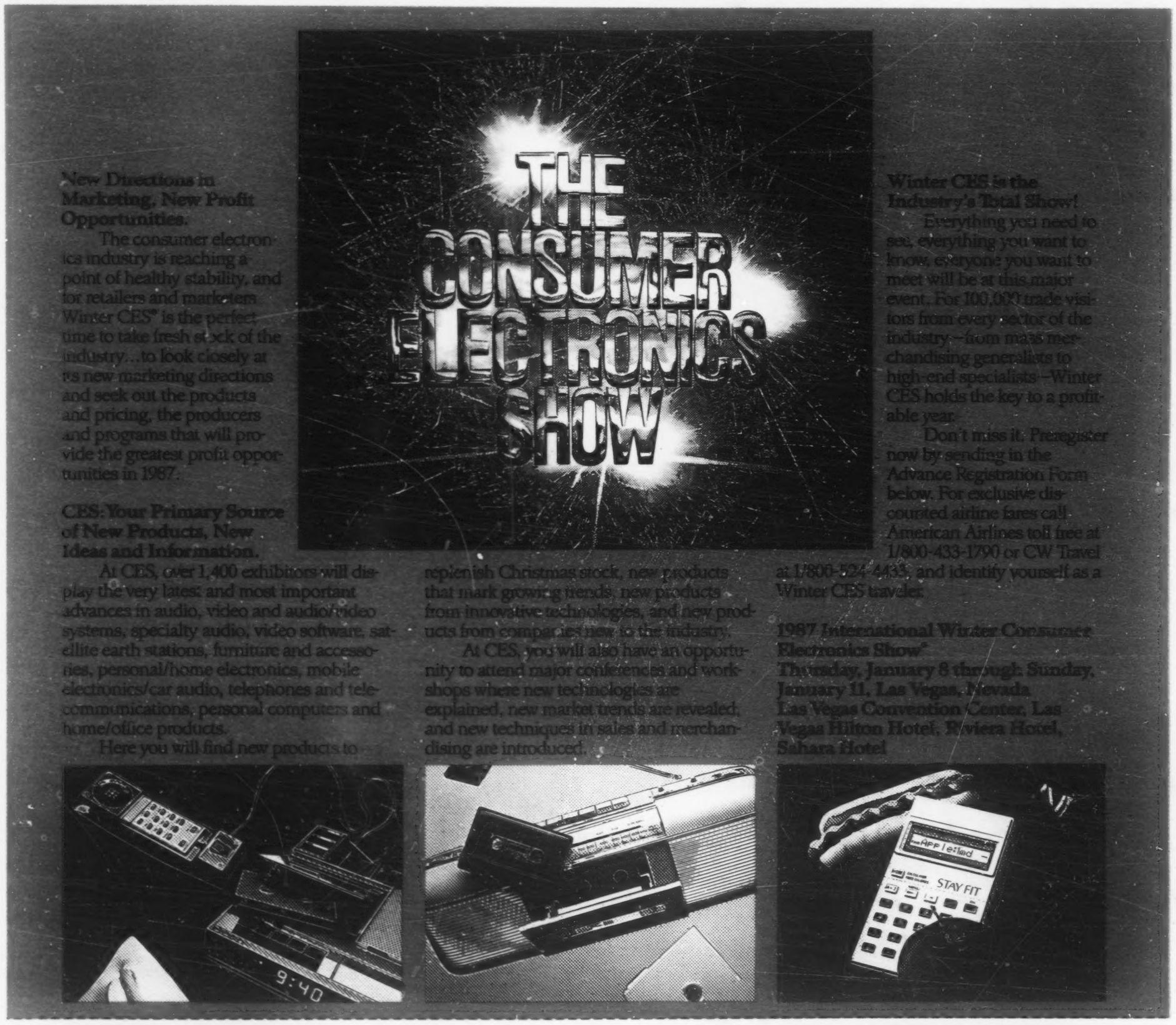
South: 6%

North Central: 5%

West: 0%

In toys, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the South—6%.

Source: DSN/*Leo J. Shapiro & Assoc.*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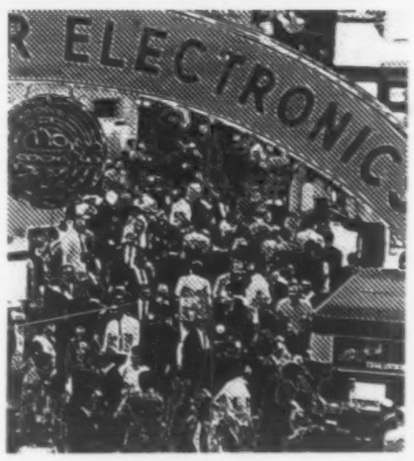

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STATIONERY/TOP BRANDS

Chain Managers Select Mead, Bic as Stationery Dept. Leaders

Nationwide DSN Report

The Mead and Bic brand names were clear leaders in the stationery departments, according to discount store managers surveyed.

Mead, the filler paper/notebook supplier, exceeded a 50% score by two points in the rate of mention by managers as a top brand. Bic also did well, selected by almost four of ten managers polled. Both brands boosted their 1985 scores in a similar survey.

Mead, the number one brand both years, scored 52%, an eight-point increase. However, in a reversal, the paper company this year scored better among managers of conventional stores than with upscale discounters.

Its 1986 score of 54% is 14 points higher than it achieved with conventionals last year. Managers of upscale stores gave it a 46% rating in the current poll, seven points lower than 1985.

Bic, which was the runner-up in both surveys, moved up five points to 38% overall, thanks to a significant increase in support from conventional stores. The writing instruments company last year had 32% ratings from both industry segments but jumped to 44% among conventionals in 1986. Its support from upscale store managers dipped to 27% this year.

Papermate and Parker also maintained their respective third- and fourth-place rankings on the list of the 10 top stationery brands. And they, too, showed small increases in their scores.

For 1986, Papermate was cited by almost one in four discounters as a top brand, rising six points to a 23% rating. Parker edged up four points to an overall 14% score.

Papermate's higher rating came from the conventional-store segment of the discounting industry. While its score of 16% among upscalers was virtually unchanged, the company added 10 points to reach a 26% rating in 1986 with conventionals.

Parker, too, gained support among the more numerous conventional store managers.

A large selection of greeting cards and gift wrappings is merchandised at Caldor's, Secaucus, N.J.

A year ago, upscalers gave Parker higher marks by a 14% to 9% margin, giving it a 10% score for the entire discounting industry. This year, its 14% industry rating was achieved by way of a 16% score from the conventional segment and only 9% from upscalers.

The fifth brand on the list, and the last to obtain double-digit ratings, was Crayola at 13% overall. Crayola moved up one spot from sixth last year, when it scored with only 7% of store managers.

Like Parker, Crayola's higher score was achieved through additional support from the conventional store segment. In 1985, 9% of the managers of conventional stores cited the crayon company as a top brand. That score doubled to 18% this year. The brands 2% rating from upscalers was unchanged.

Rounding out the top 10, Scripto narrowly led the next five brands at 6% to American Greetings' 5%. Gibson Buzza and 3M followed with identical 4% scores, and Wearever closed out the list with a rating of 3%.

Mead had an exceptionally high score with Wal-Mart managers at 83% but also did well with K mart and Target, with ratings of 59% and 66%, respectively. Its K mart score was a significant improvement over the 18% rate of mention at the industry's largest retailer last year. Mead's 1986 Wal-Mart score represented a gain of 14 points, but it slipped seven points at Target.

The weakest chain for the top-ranked stationery brand was Zayre, where it was named by 34% of managers. Still, that represents a nine-point gain for Mead.

Bic made considerable progress in the esteem of both K mart and Wal-Mart managers but lost more than half its support at Target. From 29% at K mart in 1985, Bic climbed

(Continued on page 91)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Mead	59%	83%	34%	66%
Bic	52	61	37	26
Papermate	24	71	23	9
Parker	36	5	6	4
Crayola	26	41	6	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

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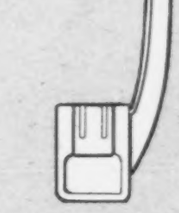

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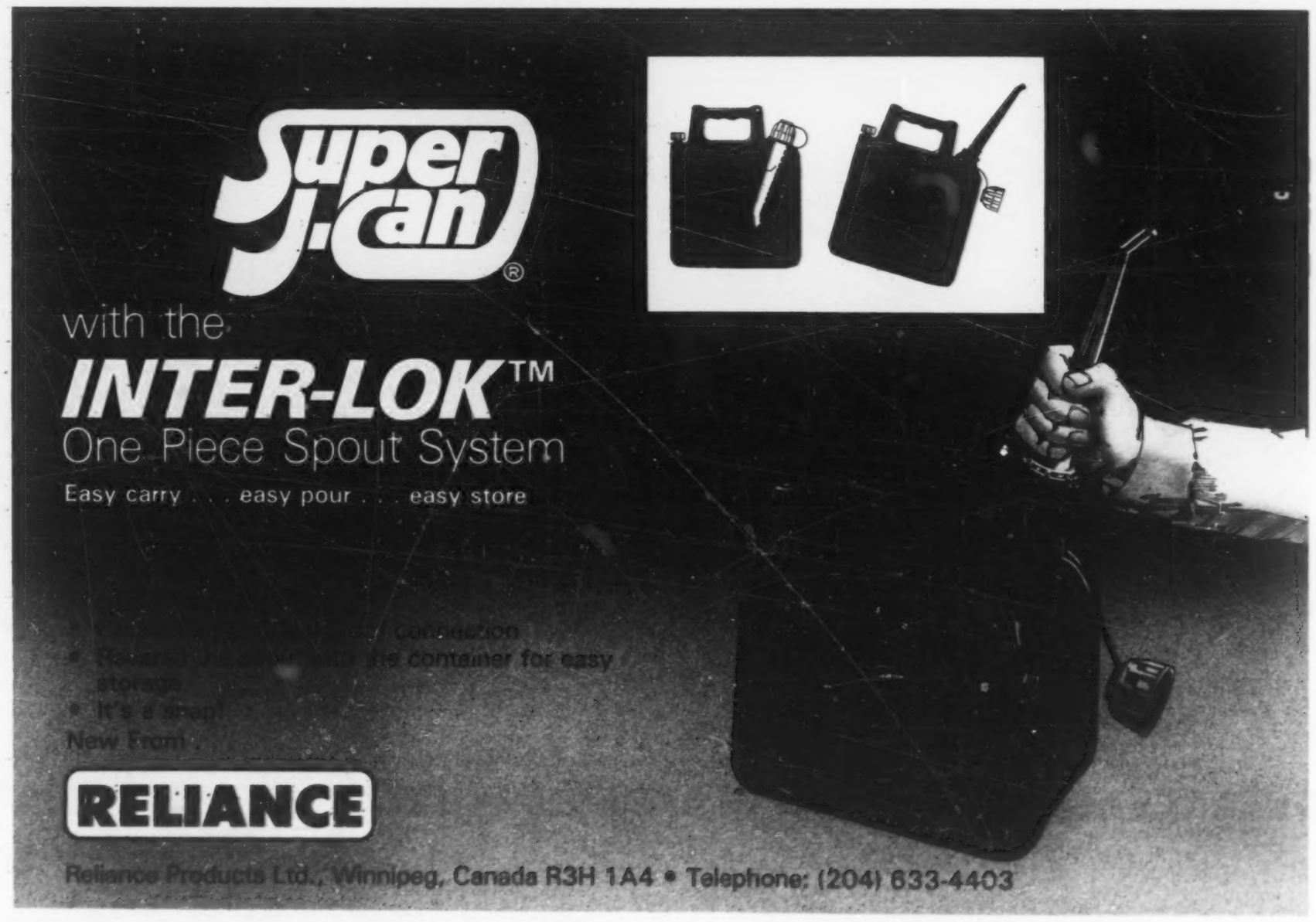
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Mead, Bic are Numbers 1 and 2 in Chain Stationery Depts.

(Continued from page 88)
to a 52% rating. At the number two discounter, the score rose from 32% to 61%. The bad news for Bic was its plunge from a 55% rating at upscale Target stores to a 1986 score of 26%.

Bic's Zayre rating remained essentially unchanged.

Papermate also made a big gain at Wal-Mart, rising from a 13% rating last year to 71%. That more than compensated for the drop in the Target score from 22% to 9%. Papermate's K mart and Zayre ratings held steady.

K mart gave Parker a boost, more than tripling 1985's 10% rating to 36% this year. Changes in ratings at the three other chains were insignificant.

Strong support from Wal-Mart aided Crayola in reaching the top-five level. Managers for the Arkansas-based discounter cited Crayola at a 41% rate.

The crayon company also did well at K mart, with 26%, but Zayre's 6% rating and Target's pass on the brand hurt its cause.

Regionally, Mead surpassed its average rating in the South and West with scores of 58% and 60%, respectively. Its North Central score of 48% was just off the mark, but Mead's appeal sagged at 37% in the Northeast.

Bic, based in Connecticut, did best in the Northeast with a 47% rating. Its southern and western scores were comparable at 41% and 37%, while the brand's appeal dropped off to 31% in the North Central region.

The North Central was also Papermate's weak spot at 17%, but the rating in the West was only two points higher. Ratings improved in the South, where Papermate garnered support from 26% of discounters and topped off at a 30% score in the Northeast.

Parker's greatest strength by far was with western store managers. They awarded the pen company a 26% rating, while the best it could do in other areas was a 12% score in the South.

Crayola's regional scores varied by 10 points, from a low of 7% in the Northeast to a high of 17% in the West.

Among the other brands, Gibson Buzza showed significant variation in its regional scores. The brand had a zero rating in the South and a 3% rate of support in the Northeast. But it reached double digits at 10% in the West.

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Mead	52%	54%	46%
Bic	38	44	27
Papermate	23	26	16
Parker	14	16	9
Crayola	13	18	2
Scripto	6	5	6
American Greetings	5	7	1
Gibson Buzza	4	3	7
3M	4	6	1
Wearever	3	2	6

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Mead	37%	58%	48%	60%
Bic	47	41	31	37
Papermate	30	26	17	19
Parker	10	12	9	26
Crayola	7	16	10	17
Scripto	9	3	7	4
American Greetings	3	8	2	5
Gibson Buzza	3	—	5	10
3M	—	7	5	3
Wearever	5	3	2	5

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Growth Regions

Northeast: 0%

South: 1%

North Central: 2%

West: 0%

In stationery, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the North Central—2%.

Source: DSN/*Leo J. Shapiro & Assoc.*

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Kodak Still Pictured as Top Photo Brand for Discount Stores

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Kodak	85%	90%	75%
Polaroid	63	72	46
Canon	41	30	64
Minolta	38	31	39
Fuji	9	11	4
3M/Scotch	9	12	1
Pentax	9	11	4
Nikon	8	6	12
Vivitar	3	3	3
Eveready	2	2	3

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Kodak	89%	94%	83%	72%
Polaroid	66	71	56	58
Canon	27	37	43	55
Minolta	31	23	37	48
Fuji	4	8	11	11
3M/Scotch	3	17	9	—
Pentax	12	6	6	14
Nikon	15	3	10	7
Vivitar	3	3	2	5
Eveready	1	3	3	2

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Nationwide DSN Report

When discounters think of photography, they think of Kodak.

The familiar yellow boxes of film, cameras and darkroom supplies project the favorite image by a wide margin among discount store managers when they were asked to name their top brands in the photography category.

The 35mm camera segment continues to gain significant recognition as two Japanese brands—Canon and Minolta—appreciably boosted their already-strong ratings.

Still, the biggest rating jump was for instant photography, now the exclusive property of Polaroid. Last year, Polaroid placed second among photography brands with discounters, being rated a top brand by 48% of store managers. This year, the rating climbed to 63%, a rise linked to its introduction of the improved Time Zero film and cameras.

Following far behind the strong double-digit ratings for Kodak, Polaroid, Canon and Minolta was a virtual three-way tie for fifth place. Fuji, the Japanese film manufacturer; 3M, which introduced a Scotch line of film; and Pentax, a 35mm camera brand, each scored a 9% rating.

For Scotch and Pentax, their ratings were a tribute to the muscle of the two largest discount store chains and, in the case of Scotch, lowered Fuji's rating.

Fuji Competes for Share

Fuji is competing aggressively for a major share of the American film market. Its film packed in green is becoming a familiar sight next to Kodak yellow in chain stores nationally including supermarkets and drug stores, as well as discounters. It suffered a major setback, however, when Wal-Mart, the second largest discount chain, adopted an anti-import policy of dropping foreign goods when a domestic equivalent was available.

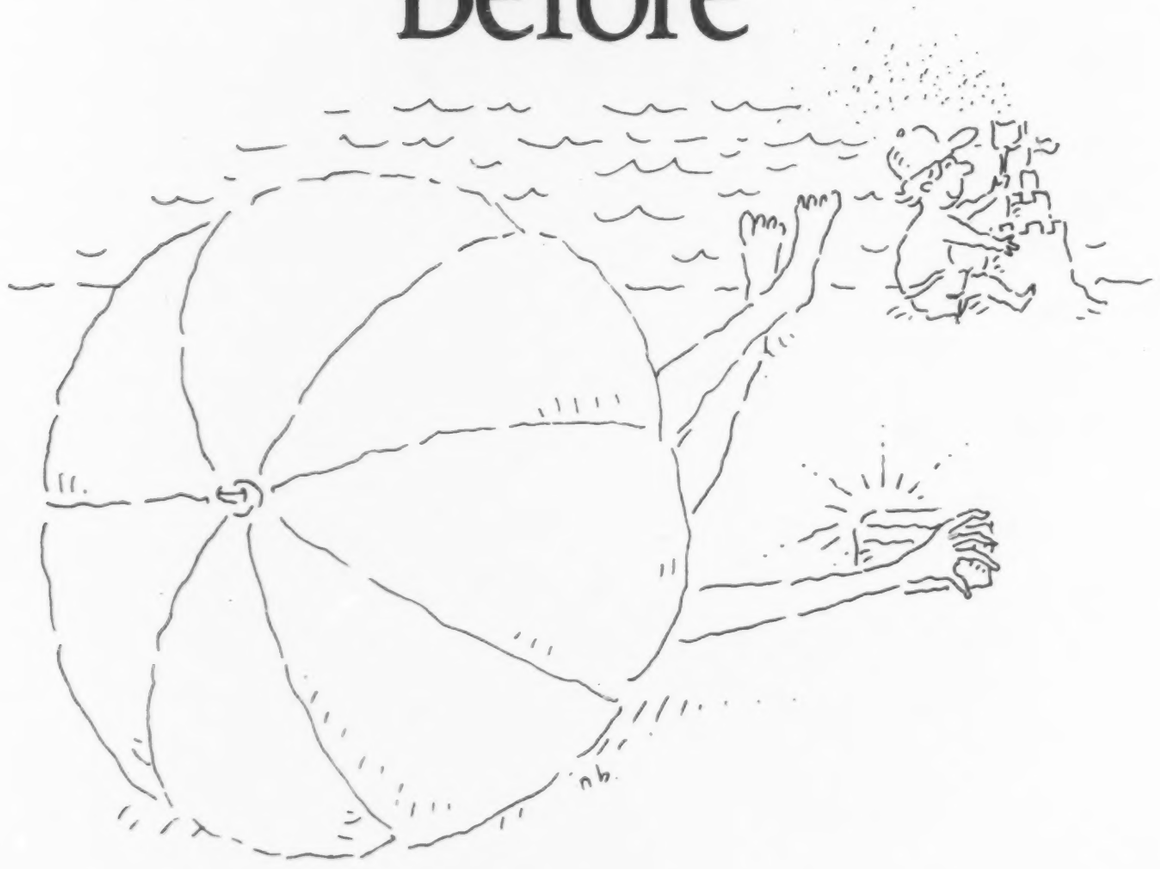
As a result, Fuji was banished from Wal-Mart's 900-plus stores. While Fuji was the loser, 3M, previously a manufacturer of only private-label film, was a big winner. Its new branded film, bearing the trusted Scotch name, was picked up by Wal-Mart as its budget alternative to Kodak and, in its first year, achieved a 67% rating from Wal-Mart managers.

That Fuji's discount store rating declined only two points, to 9% in 1986 from 11% in 1985, is evidence of its growing acceptance among other discounters as a budget brand. Virtually all of Scotch's 9% rating came as a result of its Wal-Mart popularity, while Fuji's Wal-Mart rating plunged from 31% last year to 3%.

K mart, discounting's largest chain, was Pentax's benefactor. The 29% rating for Pentax from K mart managers was the principal reason it achieved 9% overall.

(Continued on page 94)

This Year, Focus on the Leisure Class Like Never Before



Focus on the leisure class with *the* leisure camera—the 35mm compact auto focus INFINITY from Olympus:

- **TOTALLY AUTOMATIC** *Easy to use*
- **WEATHERPROOF** *Goes anywhere*
- **ESP QUICK FLASH** *Fires every second*

More and more photographers want a camera that requires them to do less and less. So make it easy on them. Show them the unique design and styling of the new, totally automatic INFINITY.

Loading, DX-film speed setting, focusing, program exposure, flash, film advance, rewind—and perfect photographs. It's all automatic.

There's never been a lens-shutter camera that "does it all" as well as INFINITY.

QUITE SIMPLY, YOUR MOST SELLABLE COMPACT AUTO FOCUS CAMERA

INFINITY is weatherproof against showers or snow. And its remarkable ESP Quick Flash System, powered by the camera's user-replaceable lithium battery pack, recycles the flash *every second*. The ESP Quick Flash fires automatically whenever flash is needed, even with backlighting. And it keeps flashing that way for up to 5 *years* of normal use with a single battery. It's Olympus quality...and economy.

We'll be telling your customers all about INFINITY with powerful TV and print advertising, so...

PUT YOUR AUTO FOCUS SALES ON AUTOMATIC WITH INFINITY

Call your Olympus Sales Representative toll-free, 24 hours a day: 800-631-7777 (in NJ, 800-522-4159.) And enjoy the leisure which you'll be able to afford with INFINITY cameras moving off your shelves, and the profits going to your bottom line.

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PHOTO, CAMERA/TOP BRANDS

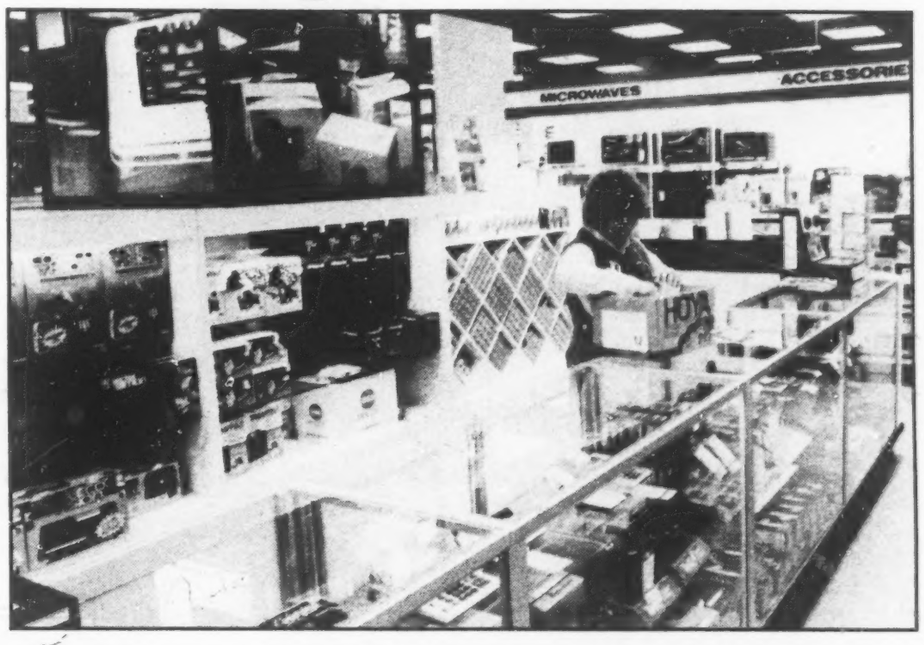
Film Brands Discover It's No Snap to Beat Kodak's Popularity

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Kodak	92%	100%	90%	74%
Polaroid	77	92	70	61
Canon	47	37	4	64
Minolta	55	23	22	37
Fuji*	22	3	—	—
3M/Scotch*	2	67	6	—
Pentax*	29	—	—	—

*Tied for 5th place

Source: Discount Store News/*Leo J. Shapiro & Assoc.*



This attractive counter display in the camera/photography department at a Nichols store in Md. offers a strong brand mix of film, cameras and accessories. (DSN *photo*)

(Continued from page 92)

Close behind Pentax was the prestigious Nikon brand of cameras, with an 8% rating among discounters overall. As could be expected, Nikon was a more important brand to upscale discounters than to their conventional brethren.

Bringing up the rear among the top 10 photography brands were Vivitar's camera accessories and Eveready batteries, with a 3% and 2% share, respectively.

In achieving its leading 85% rating, Kodak showed particular strength among conventional discounters. Kodak scored a perfect 100% at Wal-Mart and was cited by nine out of 10 conventional store managers as a top brand. Kodak's 75% rating among upscale store managers was challenged by Canon's 64%, even though Canon's third place rating overall of 41% was less than half of Kodak's.

Polaroid, too, was favored in conventional stores where almost three out of four managers cited it, as opposed to less than half of upscale store managers. But while most upscalers gave Polaroid relatively low ratings, it did much better at Target stores, achieving a 61% rating. Again, Wal-Mart was Polaroid's biggest booster, giving the company's unique products a 92% rating as a top brand.

The top-rated 35mm camera line, Canon, exceeded its 41% rating at two of the four highlighted chains—K mart at 47% and Target at 64%. Its Zayre rating of only 4%, however, narrowed its margin over competitor Minolta, whose 38% rating overall placed it fourth among photography brands.

Minolta actually outperformed Canon at giant K mart by eight points, with a 55% rating, although it lagged significantly behind Canon at upscaler Target with a 37% score.

Regionally, Kodak's ratings varied by more than 20 points, from a high of 94% in the South to a still-strong low of 72% in the West.

Polaroid's spread was tighter, with its highest rating also in the South at 71% and lowest in the North Central at 56%. In the West, 35mm cameras are more popular than in other regions. Canon scored a 55% rating among western managers and Minolta, 48%. Canon's weakest region was the Northeast, where it was cited by 27% of discount store managers, while Minolta bottomed at 23% in the South.

Growth Regions

Northeast:	2%
South:	3%
North Central:	1%
West:	0%

In photo/camera, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the South—3%.

Source: DSN/*Leo J. Shapiro & Assoc.*

Sure Shot Cameras
High Turnover Leaders from Canon.

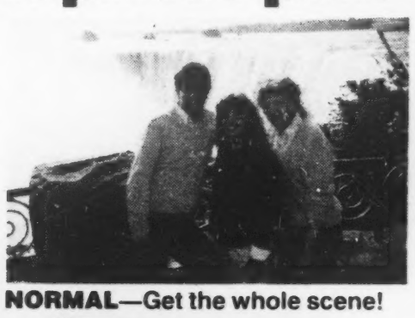
Everybody knows how well Canon Sure Shot cameras sell, day in and day out. Easy one-button operation, sharp, clear pictures on 35mm film plus a constant, hard-hitting advertising campaign make Sure Shot Cameras a camera department staple.

The totally automatic Sure Shot Supreme not only loads itself but even decides when you need flash—and fires automatically! The new Sure Shot Tele is just as easy to use and switches from NORMAL to TELEPHOTO at the touch of a button! A built-in soft filter and multiple exposure features provide truly creative effects.

Stock them both. The famous Canon Sure Shot name will make step-up sales a sure thing!

Normal, telephoto plus special effects!

TELE—Reach out and bring subjects up close!



NORMAL—Get the whole scene!

SOFT FOCUS—Great for portraits!

TRICK SHOTS—For more picture-taking fun and creativity.

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- Built-in flash fires when needed!
- Quartz Date model records date or time directly on film!
- Includes soft case and lithium battery!

Canon SURE SHOT TELE

Advertising Support:

Canon SURE SHOT SUPREME

TV Commercial

Consumer Ad

Canon Sure Shot cameras are advertised nationally on network and local TV, and in major consumer magazines. A wide variety of display materials is available for in-store use.

Supreme Confidence!

- Completely automatic, one-button operation!
- Lightweight, compact design—fits in a pocket!
- Built-in flash fires when needed—even in daylight for fill-flash!
- Sharp Canon f2.8 autofocus lens—close-ups to 1.8 ft!
- Quartz Date model records date or time directly on film!
- Includes fitted case and lithium battery!

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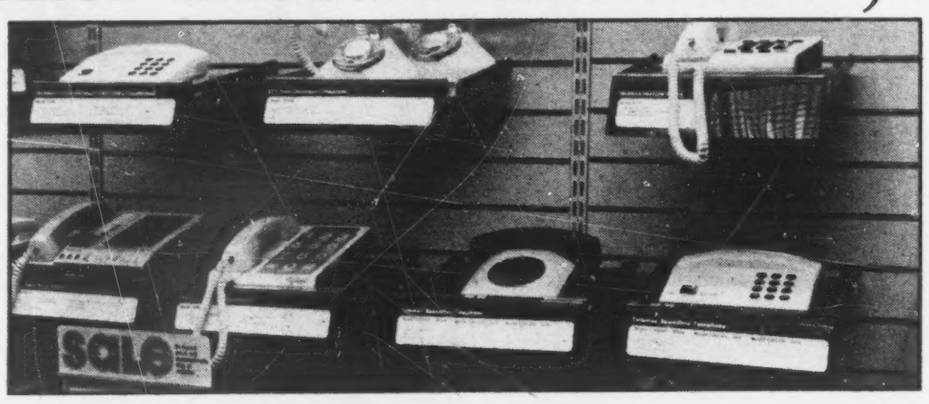
GE Retains Top Consumer Electronics Rank, Despite Slip

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
General Electric	62%	28%	51%	26%
Emerson	20	86	65	30
Panasonic	21	63	3	30
RCA	36	65	—	5
Sony	11	24	25	25

Source: Discount Store News/*Leo J. Shapiro & Assoc.*



Bradlees is tapping into the telephone market with an expanded assortment of national brands and a more upscale presentation, as shown in the chain's newest prototype. (DSN *photo*)

Nationwide DSN Report

The top consumer electronics brand selected by discount store managers once again was General Electric, although its overall rating slipped slightly in 1986.

Among all discount store managers surveyed, 38% named GE as their top brand, down two percentage points from its 1985 rating of 40%.

Emerson and Panasonic swapped their number two and number three positions, with Emerson rising from the third spot with a 26% rating last year to second with 36%, right behind GE. Panasonic, which in 1985 had a 32% rating, dropped to the third-highest-regarded brand with a 28% rating.

Emerson's aggressive consumer electronics marketing campaign has resulted in its breathing down GE's neck, discount store managers indicated. Both brands scored

Among all discount store managers surveyed, 38% named GE as their top brand, down two points.

higher among managers of conventional stores than upscale stores, while Emerson held a slight lead over General Electric among upscalers.

While GE and Emerson were clear favorites at conventional stores, no single brand was dominant among upscalers. Panasonic won the highest rating with 28%, but five of the 10 top brands overall were bunched in the 20% range among upscalers, with a sixth poised at the brink at 19%.

In this, the fourth annual *DSN* survey, General Electric was cited as a top brand by 46% of conventional discounters and Emerson by 40%. When managers of upscale stores were polled, GE's ranking dropped by more than half to 22%. Emerson dipped 14 points to 26%, still one of the highest scores in that segment.

Third-place Panasonic was equally highly regarded by managers of both types of stores, scoring with 29% of conventionals and winning the close race among upscalers with 28%.

Rounding out the top five brands, fourth-place RCA was clearly preferred at conventional stores, although Sony fared best with upscalers.

RCA's overall rating of 21% was achieved when one out of four managers at conventional stores said it was a top brand. Only one in eight, or 12.5%, of upscale managers chose RCA. Conversely, Sony scored with only 14% of the conventionals but was among the leaders at upscale stores with 26%, giving it an overall rating of 18%.

Close behind Sony at 17%, Sharp showed a similar pattern. While also scoring only

(Continued on page 98)

Kodak Colorwatch™ System

TRAFFIC INSURANCE.

Millions of consumers have seen this seal in Kodak's biggest TV and print advertising campaign ever for photofinishing, and they're looking for retail outlets that display it.

To them, the Kodak Colorwatch system is memory insurance—the assurance that their film is developed on Kodak paper, with Kodak chemicals, and that Kodak's Technet™ center is used for computerized quality control.

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And the opportunity for impulse purchases. Satisfied customers. And repeat business.

To find out all the benefits of choosing a finisher on the Kodak Colorwatch system, call:
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ROCHESTER, NY 14650

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GE Slips But Holds Onto Its Number One Rank with Chains

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
General Electric	38%	46%	22%
Emerson	36	40	26
Panasonic	28	29	28
RCA	21	25	12
Sony	18	14	26
Sharp	17	14	24
Soundesign	14	18	5
Sanyo	12	9	19
Gold Star	12	17	2
AT&T	11	11	9

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
General Electric	37%	38%	41%	35%
Emerson	31	51	35	17
Panasonic	38	34	22	21
RCA	22	27	15	19
Sony	20	15	21	17
Sharp	30	12	12	22
Soundesign	10	22	12	8
Sanyo	8	12	13	15
Gold Star	15	10	11	12
AT&T	12	14	6	11

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

(Continued from page 96)

14% with conventional store managers, Sharp jumped 10 points to 24% when upscale store managers were polled.

The last four finishers among the top 10 brands placed between the 11% scored by number 10 AT&T and Soundesign's 14% rating.

Soundesign, a long-established budget brand, scored better among conventionals, as did ninth-place Gold Star, the Korean line of low-priced consumer electronics. Soundesign was a top brand for 18% of conventionals polled, and Gold Star shone for 17%. But when upscale managers were surveyed, the brands scored only 5% and 2%, respectively.

Eighth-place Sanyo did better at upscale stores, however, just missing the 20% plateau with a 19% rating. In contrast, its score at conventional stores was 9%.

The tenth brand, AT&T, like Panasonic, showed virtually identical strength at both types of stores. Its score among conventional store managers was 11% and stood at 9% at upscale stores.

Conspicuously, no computer brand reached the top 10 in 1986. In *DSN's* first survey in 1983, discounters' high expectations for computers led them to give Atari a 73% rating as the top consumer electronics brand, by far the highest score ever attained in the CE category. Joining Atari among the top 10 brands that year were two other computer names, Texas Instruments and Commodore.

In just a year, Atari's balloon was rapidly deflating, but it still garnered a 32% rating in 1984 to place it second overall to Commodore's 38%.

Last year, the only survivor on the top 10 list was Commodore, which placed seventh with a score of 15%. In 1986, Commodore again was the highest-ranked computer brand, but it placed only fifteenth on the list of consumer electronics brands, with a 5% rating.

Among 1986's top 10, number one General Electric showed particular strength at K mart and Zayre, among the chains highlighted, with ratings of 62% and 51%, respec-

(Continued on page 101)

As the VCR market continues to boom, competition among brands for a piece of the tape business is also intensifying as exemplified by this K mart store display. (DSN *photo*)

Newmark & Lewis and other ce specialists have laid claim to the big-screen television market. Customers are interested in higher-priced electronics. (DSN *photo*)

Best is attracting traffic to its consumer electronics department by showcasing lifestyle furniture side by side with televisions and VCRs. (DSN *photo*)

Emerson Runs Strong Second Behind GE Lead

(Continued from page 98)

tively. Emerson also did well at Zayre, with a 65% rating, but it was powerful at Wal-Mart with an 86% rating.

Wal-Mart managers also gave high marks to Panasonic and RCA at 63% and 65%. Target managers, however, were more reserved in their ratings, scoring four of top five brands between 25% and 30% and awarding RCA a 5% score.

Regionally, GE scores were relatively consistent, ranging from a low of 35% in the West to a high of 41% in the North Central, both extremes within three points of its national score.

In comparison, Emerson showed significant regional differences. In the West, it was cited by only 17% of discount store managers, while in the South, it scored the highest regional rating of any brand, with a 51% score.

Other brands that also displayed regional variations were Panasonic and Sharp.

Panasonic's strength was in the Northeast and South, where it was rated a top brand by 38% and 35% of managers, respectively. In the West, the score dipped to 21%, and in the North Central, it was only slightly better at 22%.

Sharp's best performance was in the Northeast, where it got a 30% rating. In the South and North Central regions, it fell to a 12% rating, while in the western region, it fell between those two extremes with a 22% score.

Growth Regions

Northeast:	7%
South:	13%
North Central:	9%
West:	5%

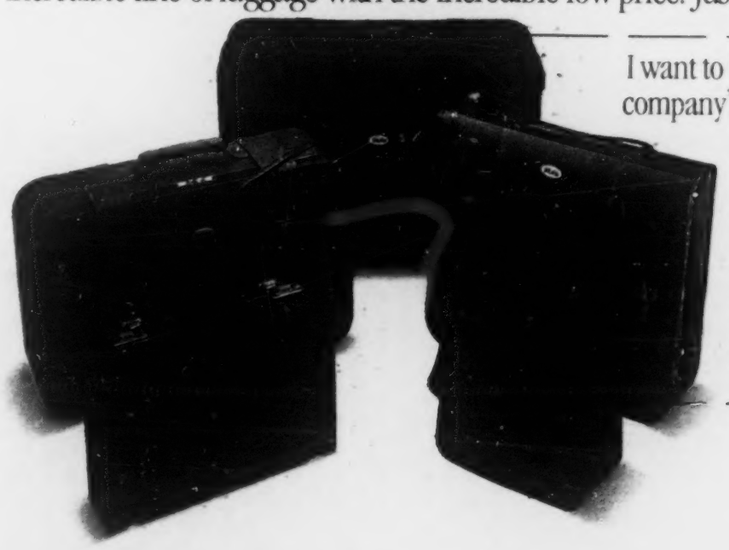
In consumer electronics, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the South —13%.

Source: DSN/*Leo J. Shapiro & Assoc.*

For 34 years, Europeans have known our name.

Now Americans can find out why.

What's in a name? Plenty. Especially if the name happens to be Tauro. It's one of the most respected names on the Continent. And now you can find out all about this incredible line of luggage with the incredible low price. Just drop us your name. TAURO™



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AUTOMOTIVE/TOP BRANDS

Motor Oil Brands Dominate Chain Top 10 Automotives' List

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Quaker State	57%	60%	51%
Pennzoil	35	42	22
Fram	31	27	38
Prestone	25	27	20
Havoline	16	22	4
STP	12	12	12
Valvoline	12	11	13
Champion	11	10	13
AC-Delco	11	6	21
Castrol	10	8	14

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Quaker State	60%	64%	59%	41%
Pennzoil	10	41	37	47
Fram	31	30	31	32
Prestone	37	29	21	12
Havoline	3	33	9	14
STP	11	17	7	12
Valvoline	4	12	22	1
Champion	6	11	10	17
AC-Delco	9	10	14	11
Castrol	18	12	3	10

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Nationwide DSN Report

Motor oils dominate the list of 10 top brands in discounters' automotive departments.

Three of the top five brands in the minds of store managers were motor oils—led again by Quaker State and Pennzoil. Two additional oils appear on the list to give motor oils half of the spots on the list.

The win, place and show positions in the automotive rankings were a repeat of 1985's performance, with Quaker State leading the way, followed by Pennzoil and Fram filters.

Quaker State and Fram both improved on their 1985 scores. The leading oil was named a top brand by 57% of the discount store managers polled, against 49% last year. Fram's score rose to 31% from 20%. Pennzoil held steady with a 35% rating.

Prestone and Havoline both moved up two places, whereas STP and Valvoline dropped two.

Prestone was selected as a top brand by a fourth of the store managers in the survey, an increase from 16% last year. Havoline, Texaco's oil brand, rose only a point to 16%, but that was good enough for fifth place because STP and Valvoline both scored with fewer managers than in 1985.

STP and Valvoline, which last year tied for fourth place at 18%, this year tied for sixth place at 12%. Close behind were Champion and AC-Delco, both at 11%, and Castrol at 10%.

Leading Brands Gain

The three leading oil brands—Quaker State, Pennzoil and Havoline—were significantly more popular among conventional discounters, while managers at upscale stores considered aftermarket parts from Fram, Champion and AC-Delco to be more important as top brands.

Pennzoil's rating at conventional stores was 42%, against only 22% at upscale stores. Havoline dropped from 22% among conventionals to 4% at upscalers. The margin was smaller with Quaker State, with managers of conventional stores giving the oil a higher rating by 60% to 51%.

The disparity in the oil ratings likely reflects the more promotional approach to automotives in conventional discount stores. Motor oil is the most highly promotional automotive product category.

Fram headed the list of non-oil brands for both types of discounters and was a top brand for 38% of upscalers but just 27% of conventionals. A greater disparity was evident with AC-Delco, where 21% of upscale store managers named it, but only 6% of conventional store managers agreed. Champion also was more popular with upscalers, but the margin was just three points.

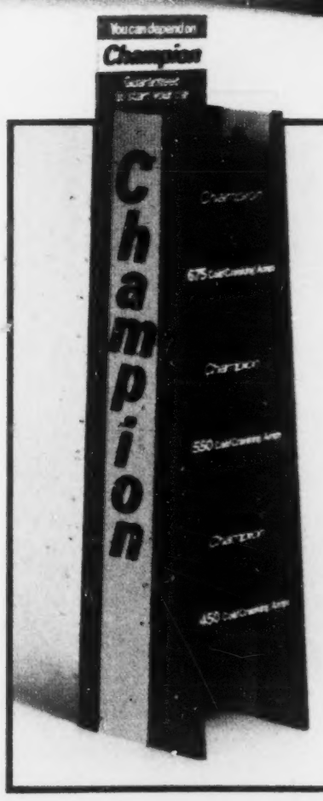
Prestone antifreeze and coolant found more favor at conventional stores by a 27% to 20% margin, another reflection of the promotional posi-

(Continued on page 105)

THIS NEW CHAMPION® BATTERY FITS 90% OF THE CARS ON THE ROAD.

THE CHAMPION
675 Cold-Cranking Amps

THE CHAMPION 550
550 Cold-Cranking Amps



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Our full-year replacement guarantee will get you customers–without costing you a dime. That's because people will recognize the Champion from TV, radio and national print media. They'll know the Champion as the battery that's "guaranteed to start your car."

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So rather than stocking up on 100 or more battery models, stock *down* with the Champion, the new premium battery line from GNB.

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Quaker State, Pennzoil Lead Discounter Automotive Top 10

(Continued from page 102)
tion of antifreeze products. STP additive and Valvoline oil scored consistently with both types of discounters. Castrol fared better with upscalers, perhaps a reflection of that oil brand's premium image.

When the leading five brands' performance was examined at four major discount chains, Quaker State was seen to be an exceptionally important brand to Zayre and Wal-Mart managers. The Zayre score of 87% and Wal-Mart's 84% far exceeded the scores at K mart and Target.

Wal-Mart managers rated all three of the oils in the top five as important brands. Both Pennzoil and Havoline achieved their highest scores at discounting's second-largest chain, with ratings of 69% and 50% respectively.

Pennzoil also was a favorite at the industry's largest chain, K mart, with a 52% rating. Its Target rating was strong at 33%, but the brand received little support among Zayre managers, where only 4% considered it a leading product.

Fram was a strong name for both Zayre and Target managers, with ratings of 51% and 49%. The brand also scored well at Wal-Mart with 37%, but its K mart rating dipped to 19%.

Brands Score at Wal-Mart

Wal-Mart also gave Prestone a high score with 48%. The two other conventional chains highlighted, K mart and Zayre, were in line with the 25% industry average, while its rate of mention at Target slipped below one-in-five managers.

None of the other three chains approached the 50% rating Wal-Mart awarded Havoline. The Texaco brand received scores in the 20% range at the two other conventional chains but was cited by only one-in-eight managers at upscale Target.

Regionally, Quaker State was weakest and Pennzoil strongest in the West. While scoring in the 60% range in the other three regions, Quaker State was chosen by 41% of western discount store managers.

With a 47% rating in the West, Pennzoil slipped to 10% in the Northeast, a score unaided by Zayre's extremely low rating.

Fram's regional scores were tightly bunched, with a low of 30% in the South and a high of 32% in the West. Prestone did best in the cold-climate Northeast at 37%, but its next highest score was 29% in the warm-weather South. The antifreeze's lowest rating was 12% in the West.

Havoline received a very low 3% rate of mention in the Northeast but zoomed to 33% in the South, aided significantly by its support from Wal-Mart.

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Quaker State	55%	84%	87%	57%
Pennzoil	52	69	4	33
Fram	19	37	51	49
Prestone	25	48	27	18
Havoline	20	50	19	12

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Growth Regions

- Northeast: 2%
- South: 5%
- North Central: 5%
- West: 0%

In automotive, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the North Central and South, both 5%.

Source: DSN/*Leo J. Shapiro & Assoc.*

Fueling automotive department traffic were top motor oil brands Quaker State and Pennzoil. These brands achieved prominence at stores like Bradlees, Rockville, Md. (DSN *photo*)

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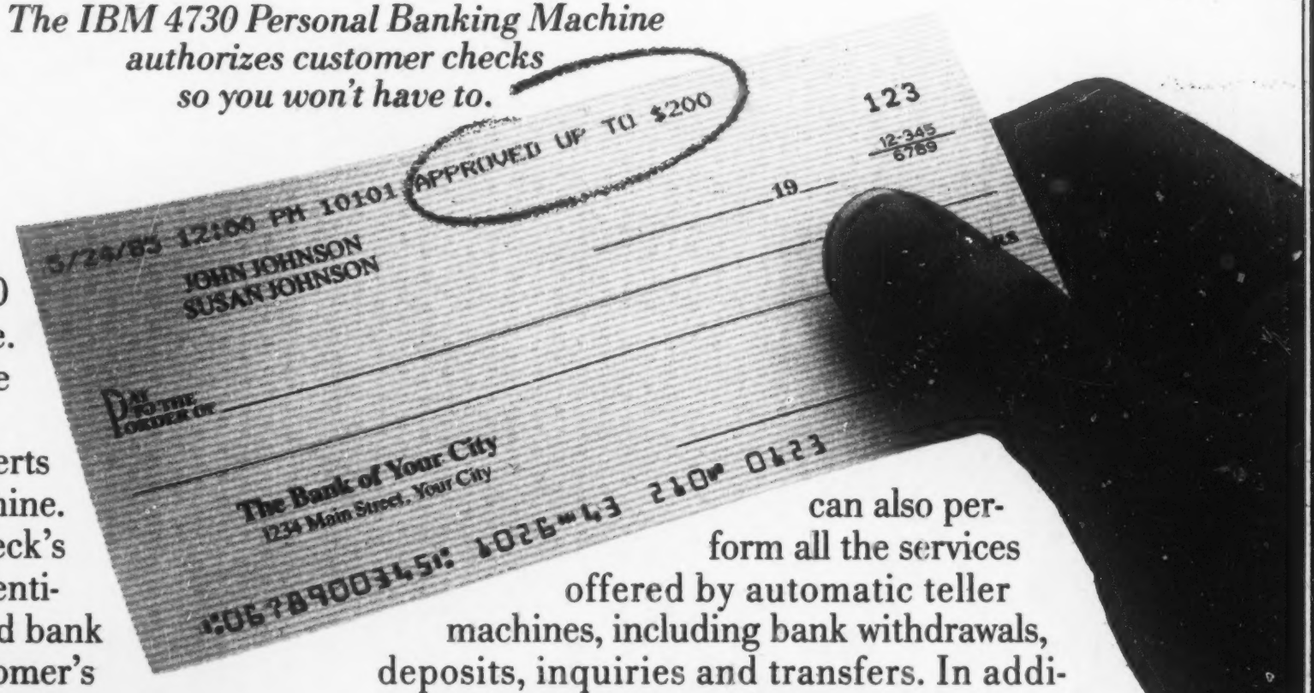

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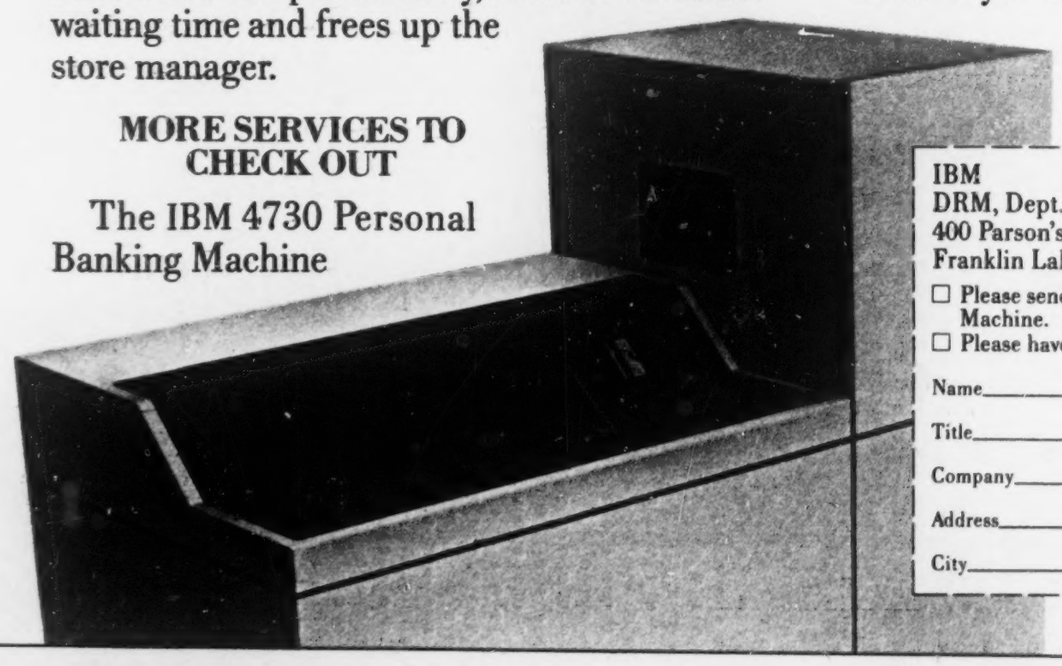

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Black & Decker, Stanley Further Outpace Competition in '86

Top Brands Vary by Type of Outlet

Brands	All Discounters	Conventional Discounters	Upscale Discounters
Black & Decker	78%	79%	78%
Stanley	73	77	65
General Electric	10	7	17
Lucite	6	7	5
Skil	6	6	7
Glidden	5	2	12
Hirsh	3	1	6
Great Neck	3	4	—
Homelite	3	4	—
Du Pont	2	3	1

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Top Brands' Performance by Region

Brands	Northeast	South	North Central	West
Black & Decker	78%	80%	77%	79%
Stanley	79	73	71	70
General Electric	10	12	9	10
Lucite	9	7	6	4
Skil	—	3	3	22
Glidden	—	6	9	3
Hirsh	3	1	7	—
Great Neck	4	3	3	1
Homelite	1	4	2	1
Du Pont	5	2	2	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

Nationwide DSN Report

More than a century ago, during the first race for what became known as the America's Cup, Queen Victoria is said to have asked which boat finished second to the overpowering Yankee yacht.

"Ma'am, there is no second," is the reply she is said to have received.

For the fourth consecutive year, that answer could be paraphrased to fit the question of what is the third-rated hardware brand in the opinion of discount store managers.

Black & Decker and Stanley have been leagues ahead of all other hardware brands in the perception of store managers since the survey was begun in 1983. Last year, Black & Decker took the top spot with a 69% rating followed by Stanley with 61%. Glidden placed third with a 15% rating, a margin of more than four to one between second and third place.

Improve Ratings

This year, Black & Decker and Stanley both improved their ratings, at 78% and 73% respectively, while their nearest competition for the esteem of store managers fell further back. General Electric was the third-place finisher this year with a 10% rating—one mention as a top brand from every 10 store managers responding—a margin of more than seven to one between second and third place.

Besides the overwhelming dominance of Black & Decker and Stanley, another significant result in the 1986 survey was the slippage of Glidden as a top brand in the managers' perceptions. From its number three position as a hardware brand last year with a 15% rating, Glidden dropped to sixth place with only a 5% rating. As a paint brand, it was edged out by Lucite with a 6% rating. Lucite also slipped in the ratings although only from 8% in 1985.

Virtually all other hardware brands showed negligible gains or losses.

The dominance of Black & Decker and Stanley falls across-the-board. Black & Decker received a 79% rating at conventional discounters including an enormous 95% rating among Wal-Mart managers and a 78% rating among upscale discounters. Its strength was uniform regionally as well, running from a low of 77% in the North Cen-

(Continued on page 110)

Growth Regions

Northeast: 13%

South: 14%

North Central: 14%

West: 0%

In hardware, the most discount store managers citing an increase in the number of brands carried (1986 vs. 1985) were in the North Central and South, both—14%.

Source: DSN/*Leo J. Shapiro & Assoc.*

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Top Two Brands Remain Leagues Ahead of Competitors

(Continued from page 106)
tral region to a high of 80% in the South.

Stanley displayed a bit more deviation, almost equaling Black & Decker with 77% among conventional discount-

Stanley displayed a bit more deviation, almost equaling Black & Decker with 77% among conventional discounters but dropping to 65% among upscale managers.

ers but dropping to 65% among upscale managers. Third-place General Electric did better with upscalers at 17%, narrowing the margin to just less than four to one.

Among the chains spotlighted, Stanley outperformed Black & Decker at Wal-Mart, being cited as a top brand by fully 98% of Wal-Mart managers. Its weakest ranking was at Target, where its 69% rating still managed a three-to-one margin over General Electric's 23%. GE's very creditable rating at Target was its best performance in the survey breakout.

Overall, General Electric fared significantly better with managers of upscale stores than with conventional discounters, scoring a 17% rating against 7%, respectively.

Regionally, both Stanley and General Electric displayed little fluctuation, although Stanley showed a bit more muscle in the Northeast than in the other three regions. In the Northeast, Stanley was rated at 79%, while in the other regions, its ratings were bunched from 70% to 73%. General Electric's lowest rating was 9% in the North Central region and its highest was 12% in the South.

The only other hardware brands to receive a double-digit rating in any of the breakouts were Glidden, Lucite and Skil. Glidden achieved a 12% rating from upscale discounters nationally, but its low 2% rating from conventional stores dragged its overall showing to 5%. A significant factor in Glidden's higher rating among upscalers was its high regard at Target stores. There, managers cited it as a top brand 36% of the time.

Lucite varied far less in the opinion of most conventional and upscale store managers but was mentioned by 16% of Zayre respondents.

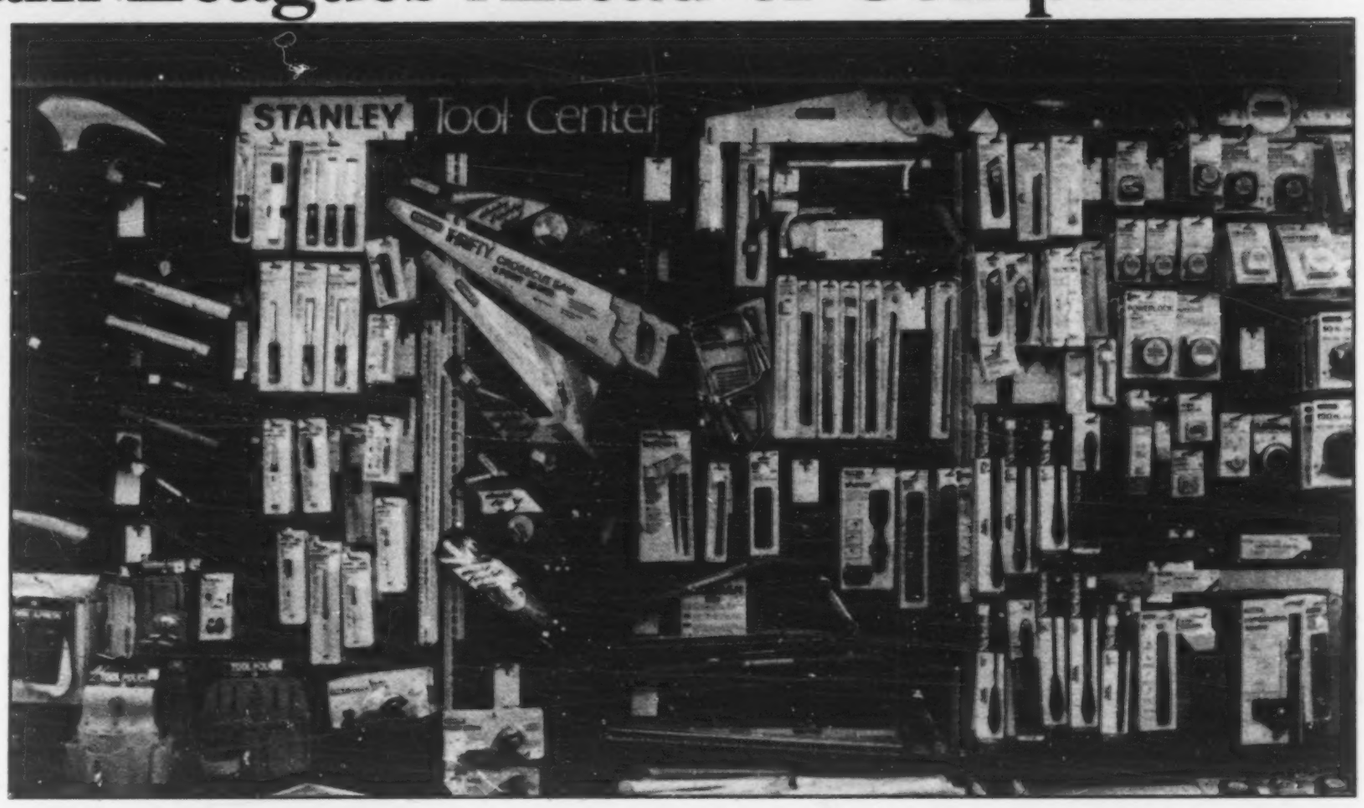
The Skil line of power tools, which placed fifth on the overall list of brands, showed a great degree of regional variation. Skil was cited by none of the store managers polled in the Northeast and by only 3% in the South and North Central regions. In sharp contrast, when managers in the West were polled, Skil got a 22% rating.

The bottom four among the 10 most frequently cited brands achieved only a 2% and 3% rating among discounters overall. Hirsh finished in the seventh spot overall by virtue of its 6% rating among upscalers. That rating was achieved by virtue of its strength at Target, where it was mentioned by 10% of the managers.

The eighth-place brand was Great Neck, which got all its power from conventional discounters, chiefly giant K mart, where it achieved a 9% rating. Among the four chains highlighted, Great Neck was rated only by K mart and Wal-Mart.

K mart was even more important to Homelite. The Homelite brand received no mention either from upscale store managers or from Wal-Mart and Zayre respondents. But its 8% rating from K mart alone was enough to move it into the top 10 overall.

The tenth-place finisher, Du Pont, edged onto the list with a meager 2% rating, even though neither Wal-Mart nor Target managers cited it.



Black & Decker and Stanley, whose line of tools is displayed in this Ames store, continue to be the dominant top two brands, respectively, with GE trailing in third place. (DSN photo)

How Industry's Top 5 Fare at Chains

Brands	K mart	Wal-Mart	Zayre	Target
Black & Decker	79%	95%	81%	83%
Stanley	81	98	85	69
General Electric	5	17	6	23
Lucite	—	8	16	—
Skil	5	6	—	—

Source: Discount Store News/*Leo J. Shapiro & Assoc.*

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Heck's Board OKs Sale to N. Y. Group

NEW YORK — Heck's board has approved the sale of the company for $145 million to the Toussie-Viner Investment Group, leading to what could be a national, rather than regional, market orientation under its new owners.

Robert I. Toussie, who led the investment group, said the future of Heck's will include developing the regional, rural discounter into a national chain.

The first step, Toussie is getting Heck's back on its feet "as a premier regional retailer." Over the next two years,

(Continued on page 58)

As part of its plans to strengthen Heck's following acquisition, the Toussie-Viner Group said it intends to expand the apparel departments of the chain. (Proctorville, Ohio).

Gemco Runs out of Luck as Parent Ponders Takeover Bid

DUBLIN, Calif. — Gemco is out. Target is in. And Asher Edelman's efforts to get Lucky Stores have been renewed.

Closing Gemco was part of Lucky's defense against New York investor Edelman's original offer of $35 per share—or a total of $1.79 billion—for Lucky.

At press time Edelman had proposed a new offer of $37 per share, or $1.89 billion.

Lucky chairman John M. Lillie and designated members of the board were planning to meet with Edelman at an undisclosed place in the San Francisco area to discuss the proposal. After that, the entire board was expected to meet without Edelman.

Despite what happens with Lucky stores and Edelman, Gemco discount stores already have gone down as the first casualty.

After turning down Edelman's first offer as inadequate, Lucky closed its 80 Gemco stores and sold 54 of those locations to Target for $374 million.

All 80 Gemco discount stores will be closed by the end of the year. The chain's parent Lucky Stores sold 54 of the sites to Target, which will remodel and reopen the stores in mid to late '87.

A company spokeswoman said it will take the rest of this year to liquidate the merchandise already in the stores and in the warehouse. Going out of business sales were scheduled to start late this month.

The only clear winner in the battle for Lucky Stores is Target. By acquiring the Gemco locations, Target will be operating 301 stores in 23 states.

The company announced

(Continued on page 58)

K mart Asks Supreme Court To Preserve the Gray Market

WASHINGTON — Attorneys for K mart called on the U.S. Supreme Court to override a Federal appeals panel ruling that it says threatens to choke off supplies of low-priced "parallel imports" to the nation's discount stores.

K mart's appeal—which will at least temporarily protect the right of independent importers to compete with U.S. marketing subsidiaries of foreign manufacturers—was filed only hours before the scheduled implementation of the appeals court order invalidating the Customs Service's "gray market" rules.

In urging the High Court to preserve the $6 billion U.S. market for parallel imports, the chain warned that "American consumers will annually pay hundreds of millions of

(Continued on page 58)

Crazy Eddie Beats All Retailers By Pioneering TV Home Shopping

NEW YORK — Crazy Eddie became the first traditional retailer to offer a TV merchandising program when it started to test market at press time the "Crazy Eddie World of Home Entertainment Shopping Network."

That effort was part of a diverse TV and mail order merchandising program that also includes advertising on the ESPN and CNN channels on cable TV and running on Sundays full page ads in the national edition of *The New York Times*.

A company spokesman said the electronics chain was committed to retail stores as its core business. "TV and mail order are low-cost, limited risk enhancements of our business."

(Continued on page 58)

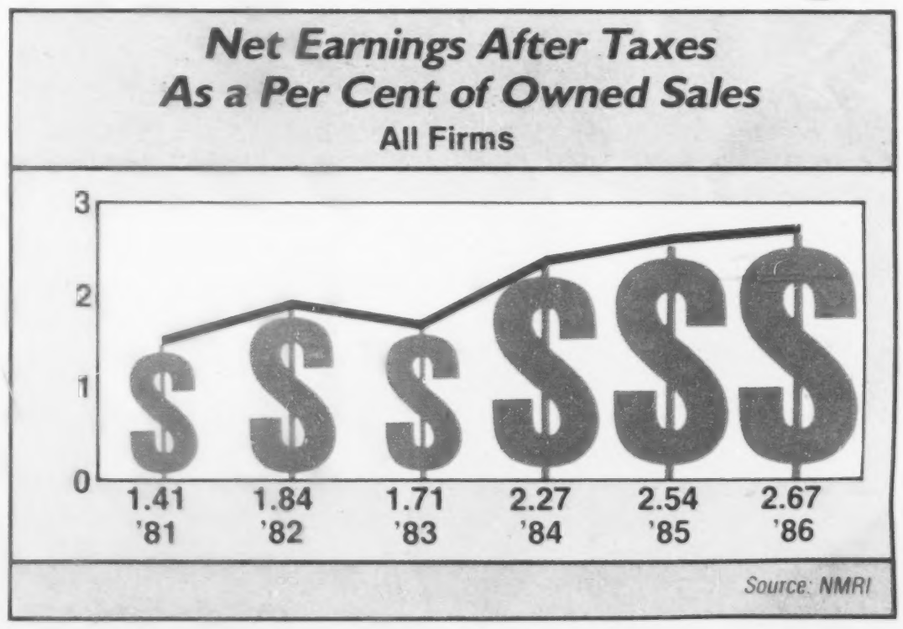
NMRI's Cornell Study

Discounters Net Sales Hit New High

NEW YORK — Discounters continued to perform well in 1985-86 as net earnings after taxes reached a record of 2.67% of sales, reported the annual industry study recently released by the National Mass Retailing Institute (NMRI). It was the third consecutive year in which record percentages for net earnings have been reported.

In addition, the study reported that sales per store and sales per square foot of selling space reached new heights. Average sales per store were $8.3 million, up from $7.5 million in 1984-85. Sales per square foot of selling space increased to $160 from $157 last year.

The positive results of the annual study indicated a strong performance by the discount industry as a whole—despite operational problems encountered by some chains this year—when the economy is stable and consumer spending is up. Retailers are optimistic that 1986 will end on an upbeat note with a strong holiday season forecast.



The 22nd annual study—*Operating Results of Self-Service Discount Department Stores, 1985-86*—was conducted for the NMRI by Cornell University. The statistical report, which gives a discounter the ability to compare its operation with other chains, is based on confidential financial and operating data provided by 27 firms operating 3,162

(Continued on page 57)

Sporting Goods Apparel Crosses Department Lines —page 42

Gourmet Cookware Sparkles As Housewares' Bright Spot —page 27

New Electronic Toys Provide Christmas Sizzle —page 25

BEST AVAILABLE COPY

Harold E. Sells, Chairman, ceo, F. W. Woolworth Co.

Fred E. Hennig, President, coo, F. W. Woolworth Co.

Woolworth Names Sells New Chairman, CEO

NEW YORK — Harold E. Sells has been named chairman and chief executive officer of F. W. Woolworth Co., effective Jan. 31, 1987, when John W. Lynn, who currently holds the post, retires.

Fred E. Hennig, who is presently senior vice president for worldwide general merchandise operations, will assume Sells' former position president and chief operating officer upon Lynn's retirement.

Lynn, who has been with Woolworth for 45 years, will continue to serve on the company's board of directors. He was named chairman and ceo in 1982. Under his direction, Woolworth continued to expand into specialty retailing.

Sells has been president since January 1983, when he was promoted from senior vice president, international and property development.

Hennig was named to his present post in February 1984. He had been executive vice president for corporate operations in the Toronto headquarters of Woolworth, Canada,- prior to that appointment.

Antipiracy Feature Would Harm Booming VCR Sales, Retailers Warn

WASHINGTON -- The motion picture industry is pressing Congress to enact early next year antipiracy legislation that retail industry leaders fear may disrupt the booming market for video cassette recorders and blank tape.

Hollywood's proposal—legislation mandating anti-taping circuitry in VCRs to prevent "back-to-back" duplication of pre-recorded tapes—would "chip away" at retail profits and undermine the Supreme Court's recent Betamax decision allowing home video taping, officials from a coalition representing discounters and other retail segments warned Congress.

Testifying before the Senate Judiciary Committee, Home Recording Rights Coalition Attorney Charles D. Ferris said the drive by Motion Picture Association head Jack Valenti to require anti-taping chips in all VCRs not only would increase prices of recorders and software but also would plant a "time bomb" inside each VCR.

"Once such chips are contained in a majority, or substantial number of VCRs, all the programmer need do is throw an encoding switch, and the right to tape is lost," he charged.

Motion picture producers have recommended a "bilateral" system that includes encoding the prerecorded videocassette or disc and equipping the VCR with anti-taping circuitry.

The proposal is "a simple, technological method that will foil back-to-back copying but will not interfere with legitimate uses of the VCR," Valenti said.

Ferris characterized the bilateral system, however, as a "high-tech fulfillment of Mr. Valenti's wish to license every person's VCR."

Before the 1981 Betamax decision allowed home recording of coyprighted TV programs, the movie industry

(Continued on page 57)

Senator Pushes Stopgap Bill To Curb Audio Tape Piracy

WASHINGTON — While Congress was undergoing the first salvos in the back-to-back video taping controversy, Senator John Danforth (R-Mo) was pushing for stop-gap legislation to minimize audio tape piracy.

Warning that Japanese electronic firms plan to flood the U.S. market with digital audio tape recorders (DAT), Danforth called for a 35% duty on any new DAT machines that are not equipped with anti-taping chips.

Acknowledging that his bill is designed to buy time for Congress to pass an anti-copying bill in 1987, Danforth said a deluge of Japanese DATs in the meantime, could cause "a great potential damage to our music industry, and undermine Congress' effort to legislate a permanent solution to the problem."

Danforth said that the European Economic Community already had told the Japanese trade minister informally that the anti-taping chip technology is likely to be required. The senator warned that U.S. failure to act quickly would permit Japanese DATs without anti-piracy safeguards to be diverted from Europe to America.

At press time, the Danforth bill was in the Senate Finance Committee awaiting action in the final days of the 99th Congress.

QUIZ

The DSN Quiz, testing your knowledge of news and trends in discount retailing covered in our previous two issues, appears on this page monthly. Check your answers with the key on page 57.

1. *The first Price Club, Canada warehouse, recently opened, differs from its U.S. counterpart in the following way:*
   a) the warehouse is only 50,000-sq.-ft. compared to the 100,000-sq.-ft. standard in the U.S.;
   b) the Montreal unit allows nonmembers to shop the warehouse, but imposes a 10% mark-up on the merchandise they purchase;
   c) the Canadian club offers different kinds of foods to cater to native tastes.

2. *"With this remodel we've shifted our emphasis more on soft lines," said Al Thompson, Gold Circle's marketing vice president, regarding:*
   a) the chain's decision to broaden its domestic department selection to include 50% more merchandise;
   b) the nearly 44,000-sq.-ft. of selling space devoted to apparel in its new 88,000-sq.-ft. prototype store;
   c) the new 1,000-sq.-ft. section devoted to wedding/prom/holiday apparel for juniors in the chain's new prototype store.

3. *The three leading off-price apparel chains this year were:*
   a) Marshalls, Filene's Basement, Dress Barn;
   b) Marshalls, T.J. Maxx, Ross Stores;
   c) T.J. Maxx, Ross Stores, Burlington Coat.

4. *This man is president of a company that plans to open its first Long Island location this month. He is:*
   a) Mervyn Weich, BJ's Wholesale Club;
   b) Robert E.R. Huntley, Best Products;
   c) Jack E. Bush, Rose's Stores.

5. *Wal-Mart announced plans to launch a new chain called Super Centers. They will be:*
   a) a joint venture between the discounter and a large fast food chain;
   b) a joint venture combining Sam's Wholesale Club with an automotive repair operator;
   c) a joint venture of the discounter with a supermarket chain.

6. *The first demographic profile of the cable TV shopper indicated that the typical shopper:*
   a) bought one item every two weeks and spent an average of $43;
   b) bought one item every month and spent an average of $61;
   c) bought one item every six months and spent an average of $150.

4. *Which of the following chains is celebrating its 25th anniversary this year?*
   a) Hills;
   b) Jamesway;
   c) Caldor.

8. *Which two industry associations have planned to merge to form a single trade group?*
   a) NMRI and NRMA;
   b) AGMC and NRMA;
   c) NMRI and AGMC.

9. *Named this year to the Discounting Hall of Fame was:*
   a) Sam Walton, Wal-Mart;
   b) David Glass, Wal-Mart;
   c) Charles Lazarus, Toys "R" Us.

10. *Receiving this year's Discounter of the Year Award was:*
   a) Maurice Segall, Zayre;
   b) David Glass, Wal-Mart;
   c) Arile Lazarus, Jamesway.

11. *In August this year, Zayre Department Stores added something to its men's wear, lingere and infant/toddlers' departments. The element was:*
   a) bargain tables for the three apparel categories;
   b) 1,000 sq. ft. of selling space in each of these departments;
   c) hand knit seasonal sweaters imported from Ireland and Europe for the Christmas season.

12. *Besides Price Savers and PACE, which of these companies has recently threatened membership warehouse club operator, Price Club, in the Los Angeles marketplace?*
   a) Biggs Hypermarket;
   b) Wal-Mart Super Centers;
   c) Costco.

Kids Mart Pushes Eastward

Children's clothing off-pricer Kids Mart has embarked on a rapid expansion trail that will move the California-based division of Woolworth into East Coast markets by the end of the decade. Ron Berens, a Woolworth veteran recently appointed president of the chain, outlined his strategies to sell brand name kids sportswear through a nationwide chain.

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Housewares

Gourmet Cookware Growth Expected as Buyers Head to Show

Nationwide DSN Report

Discount store and catalog showroom housewares merchandisers who seek to trade up their assortments, should keep an eye on gourmet cookware and housewares when they shop the National Housewares Manufacturers Association (NHMA) exposition in Chicago in two weeks.

An important reason is that gourmet cookware and housewares sales are expected to grow, even though the overall housewares market is likely to be stagnant.

One study projects retail sales of the upgraded merchandise that comprises gourmet cookware and housewares will reach more than $1 billion by 1990, up 5% from the $985 million volume in 1985.

The study by Packaged Facts pinpointed gourmet cookware as having the largest projected growth by 1990, up 12% to $215 million, followed by cutlery, with a 10% gain to $100 million, and then kitchen tools and gadgets, gaining 7% to $375 million.

The only gourmet cookware area that Packaged Facts expects to show a decline is gourmet electrics, slipping 5% to $340 million.

The projected increase in gourmet housewares volume comes against a background of the NHMA's estimated 5.6% decline in overall housewares sales to $23.2 million last year and questions whether this drop was a temporary slip or portends a continued contraction in housewares sales.

Gourmet cookware and housewares accounted for 10 to 12% of total housewares volume, and this percentage could show a marked increase by 1990 if traded up merchandise meets sales expectations.

Packaged Facts definition of gourmet cookware and housewares covered the broad mix of stepped-up electric and nonelectric housewares merchandised by discounter and catalogers.

The goods include special cookware and bakeware, along with items made of such materials as multi-clad stainless steel, all copper or copper bottom stainless, all glass and porcelain on cast iron.

In the gourmet cutlery and gadgets area, the items cover higher priced knife sets and specialty tools, such as a mushroom brush and pastry crimper.

The gourmet electric housewares assortment also focused on specialty products such as food processors, pasta makers, espresso/cappuccino coffee makers and woks.

The interest of discounters and catalogers in gourmet cookware and housewares was evident from their everyday and promotional merchandising of these products. An assortment of chains and the items (at the regular price) they have featured include:

Gourmet cookware prices

Target—Hamilton Beach Emmie food processor, $39.99, and Mirro nonstick aluminum chicken fryer, $15.99; Wal-Mart—Corning 9-in. Visions skillet, $9.94, and Presto jumbo electric fry pan, $33.42; Venture—Thermos Coffee Butler, $19.99, and Sunbeam Eurostyle electronic mixer, $79.99; Ann & Hope—Presto Minnie Max food processor, $49.88, and Ekco fruit & butter baller, $1.99, ShopKo—Chicago Cutlery Chef's knife block, $99.99, and Anchor Hocking Basket Buffet casserole dish, $8.99.

Also: Best Products—Richmond Cedar 5-qt. electric ice cream maker, $32.22, and General Housewares 5-pc Graniteware Everything Pot, $14.96; Service Merchandise—Farberware 2-qt. stainless tea kettle, $19.97, and Sunbeam Oskar food processor, $59.92, and Gold Circle—Presto Hot Topper butter melter, $19.99, and Metro 16-qt stainless stock pot, $24.99.

Discounters and catalogers are trying to boost their sales of gourmet housewares and cookware because they provide more dollar per unit of sales than traditional goods.

The Packaged Facts study noted that gourmet electrics accounted for 15% of sales and only 7% of unit movement, while gourmet cutlery totals more than a third of the dollar volume but less than a sixth of the unit movement.

Heck's goes after higher ticket sales in gourmet housewares by upgrading the department in its Proctorville, Ohio, store. (DSN photo)

Color Code to Point Way To NHMA Show Exhibits

CHICAGO — A new categorization format and a designated area for new products are among the revisions awaiting those who attend next month's 85th International Housewares Exposition at Chicago's McCormick Place.

Sue Palmore, director of communications for the National Housewares Manufacturers Association (NHMA), sponsors of the show, said that more than 10,000 buyers are expected to view the exhibits of about 2,000 firms.

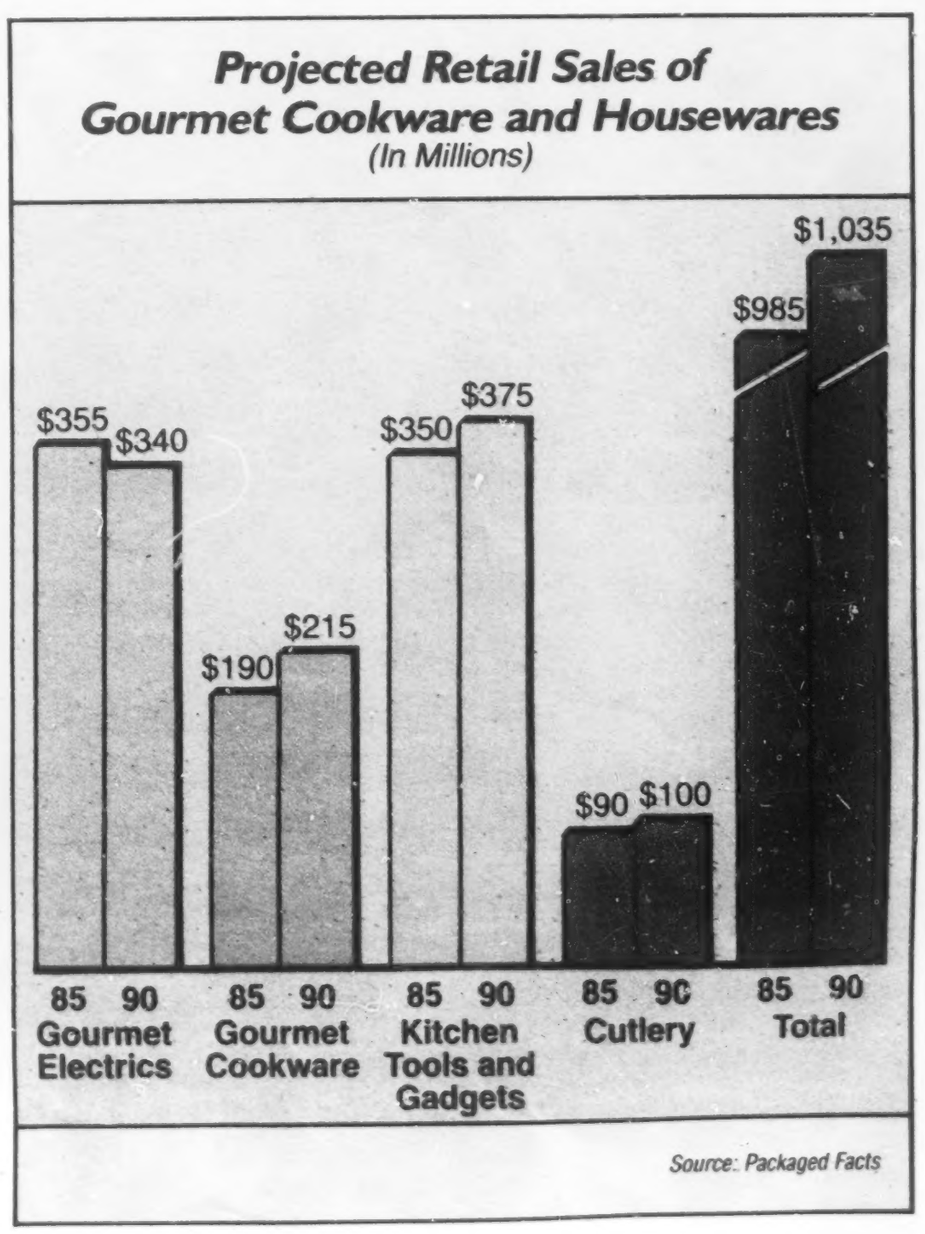
The new categorization concept arranges exhibitors by general product category and color codes each group:

- **Red**—Electric housewares, cook and bakeware, kitchen tools and gadgets;
- **Orange**—Serving and buffet accessories, plasticware, glassware and china;
- **Yellow**—Decorative accessories, furniture, storage and closet products, home office products;
- **Green**—Hardware and tools, pet supplies and outdoor products, and
- **Blue**—Bath and cleaning products.

In addition, a new pocket directory—*Getaround Guide*—will be distributed to attendees. It contains a list of all exhibitors by category and booth number.

For the first time, buyers will have the opportunity to preview new products in one designated area—the lower level of McCormick Place West. Each product will be identified by name, manufacturer and booth number.

Hours for the exposition, which runs Nov. 9 to 12, are: Sunday, 10 a.m. to 6 p.m.; Monday and Tuesday, 8:30 a.m. to 5:30 p.m., and Wednesday, 8:30 a.m to 4 p.m.



Housewares Weaken, But Should Recover By 2nd Quarter of '87

GADGETS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Rhod 29031 Dazy Bell Timr	2,935	6.39	18,754.65
2	Swin 407/1 Port Open Asst	3,595	4.59	16,501.05
3	Brom 119 4 Sided Grater	8,691	1.56	13,557.96
4	Ahsw 1574 4pk Paring Knif	7,464	1.28	9,553.92
5	Brom 39 3 Cp Flour Sifter	3,517	2.24	7,878.08
6	Ekco 00050 Peeler	5,784	1.25	7,230.00
7	Ekco 08652 Can Opener	4,786	1.44	6,891.84
8	Ahsw 1554 Steak Knives	3,809	1.77	6,741.93
9	Alab 67024 Fly Swatter	19,619	0.33	6,474.27
10	Ekco 30761 Sm Turner Nyl	4,149	1.53	6,347.97
11	Kwik TE60 Greens Chopper	4,230	1.49	6,302.70
12	Hook 73 Over Door Valet	4,048	1.40	5,667.20
13	Ekco 00140 Pizza Cutter	3,911	1.43	5,592.73
14	Ekco 30401 Pan Turner Nyl	3,454	1.53	5,284.62
15	Chup 103 Paring Knife	2,189	2.40	5,253.60

CORNING VISIONS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	V-300 Saucepn St 6pc	2,434	37.02	90,106.68
2	V250P Sauc & Skil St	2,566	17.47	44,828.02
3	V581P 5qt/Free Sauce	1,404	20.84	29,259.36
4	V-20 1.5qt Dubl Blr	1,106	21.48	23,756.88
5	V-2.5 Cov Pan 2.5qt	1,270	17.40	22,098.00
6	V-5 Cov Saucepan 5qt	866	20.84	18,047.44
7	V-9 Vision Skillet 9	1,514	10.60	16,048.40
8	V-1 Cov Saucepan 1qt	1,209	12.14	14,677.26
9	V-1.5 Cov Pan 1.5qt	1,006	14.18	14,265.08
10	V-10 Vision Skill 10	858	15.27	13,101.66
11	V-370 7pc Vision St	201	52.81	10,614.81
12	V-6 Vision Skillet 7	1,195	7.92	9,464.40
13	V-360 6pc Cov Set	213	41.40	8,818.20
14	V-3.5 Cov Stm/Stw	445	19.35	8,610.75
15	V-10-H Vis Skill 10	321	15.90	5,103.90

BATH SHOP

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Self 443-94 Portabl Showr	1,967	8.23	16,188.41
2	Mafr 66TT Toilet Seat Wht	1,746	7.50	13,095.00
3	Self 2208-94 Tissue Holdr	5,925	1.27	7,524.75
4	Mafr 13D Toilet Seat Wht	560	12.15	6,804.00
5	Self C441-94 Shampoo Spry	3,454	1.82	6,286.28
6	Kelg 210C Bowl Brush Plas	5,986	0.91	5,447.26
7	Mafr 44D Toilet Seat Wht	605	8.92	5,396.60
8	Naut N8773 Essex Oak Cbnt	130	39.51	5,136.30
9	Naut N323LP Ventura Cabnt	118	42.94	5,066.92
10	Magn M100 Toilet Seat Wht	623	7.45	4,641.35
11	Ekco 38110 18" Towel Bar	2,201	2.00	4,402.00
12	Magn M3000 Soft Seat Whte	322	13.20	4,250.40
13	Self 2110-94 Twin Robe Hk	4,092	1.01	4,132.92
14	Ekco 38170 24" Towel Bar	1,704	2.34	3,987.36
15	Self 2274-94 Towel Bar 24	2,184	1.76	3,843.84

MICROWAVE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Rubb 8527 7pc Spc Sav Set	855	23.23	19,861.65
2	Micr PA600/112 Turntable	564	28.22	15,916.08
3	Micr PM486/T1 Divdd Plate	2,390	5.40	12,906.00
4	Micr PM400/158 Brw Skilet	429	26.06	11,179.74
5	Micr PA600/113 Turntable	410	26.06	10,684.60
6	Micr PM469/T1 Bacon Rack	1,830	5.40	9,882.00
7	Micr PM481/T1 Utility Pan	1,296	5.40	6,998.40
8	Micr PM446/T1 Rd Bacon Rk	1,278	5.40	6,901.20
9	Micr PH500/305 4P Bowl St	3,144	2.15	6,759.60
10	Micr PM400/126 Popcrn Ppr	636	10.10	6,423.60
11	Micr PH500/303 Ov Cass St	2,711	2.15	5,828.65
12	Micr PH500/309 Ramekin St	2,698	2.15	5,800.70
13	Micr PH500/307 Rd Cass St	2,663	2.15	5,725.45
14	Corn MW-11-S Brown Grill	450	12.66	5,697.00
15	Rubb 5519 Bacon Rack	1,114	5.05	5,625.70

TABLEWARE SETS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Corl 116-23 16pc Morn Blu	2,402	23.27	55,894.54
2	Corl 116-24 16pc Burgundy	2,097	23.27	48,797.19
3	Corl 116-4 16pc Gold	1,916	23.27	44,585.32
4	Corl 116-95 16pc Col Mist	1,762	23.27	41,001.74
5	Corl 116-29 16pc Rib Bouq	1,640	23.27	38,162.80
6	Corn 5016-73 Calco Rse 16	853	29.90	25,504.70
7	Corn 5016-76 Lace Bouq 16	824	29.90	24,637.60
8	Corn 5016-74 Windflowr 16	666	29.90	19,913.40
9	Corl 116-N 16pc White	687	23.27	15,986.49
10	Corn 5016-75 BLue Flwr 16	526	29.90	15,727.40
11	Corl 116-170 16pc Blu Lil	452	23.27	10,518.04
12	Corl 220-451 20pc Peach	330	29.90	9,867.00
13	Corl 220-453 20pc Normandy	330	29.90	9,867.00
14	Corl 116-20 16pc Indigo	410	23.27	9,540.70
15	Drnd 0655522 Florentn 16pc	363	21.49	7,800.87

COOKWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Kenc 75210C 7pc Cpr Bottm	966	14.46	13,678.56
2	Fory 797-79 7pc Pol Ss St	543	18.81	10,213.83
3	Regl W3270 10" Goumet Pn	1,728	5.12	8,847.36
4	Miro 1487-34 7pc Ckwear	384	21.96	8,432.64
5	Regl W3271 12" Goumet Pn	1,152	7.18	8,271.36
6	Lodg 8SK2 Skillet 10-1/2	1,336	5.45	7,281.20
7	Regl W3269 8 1/2 Goumet Pn	1,591	3.44	5,473.04
8	Norm 320D 2qt Scpan Almn	2,076	2.52	5,231.52
9	Norm 312 12qt Cv Pot Alm	567	9.00	5,103.00
10	Miro W0786-34 Fry Pan 10	708	6.82	4,828.56
11	GHSW 0707 21qt Cov Canner	330	13.89	4,583.70
12	Norm 310D 1qt Scpan Almn	2,364	1.89	4,467.96
13	Norm 376 6qt Cov Pot Alm	636	6.75	4,293.00
14	Kenc MB-13 13qt Ss Bowl	1,063	3.60	3,826.80
15	Kenc 6001C 16qt Cnd Stkpt	207	17.58	3,639.06

BEVERAGE SETS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Anch 3600/810 Bev Set 24	3,813	10.29	39,235.77
2	Drnd 8050130 24pc Lancer	973	14.91	14,507.43
3	Anch 3700/128 24pc Clear	1,168	10.15	11,855.20
4	Drnd 0655001 Romantiq 16pc	475	24.89	11,822.75
5	Anch 2100/103 Tempo Clr18	1,015	6.93	7,033.95
6	Anch 3300/279C Arlingtn 18	599	7.92	4,744.08
7	Anch 3600/802A Court Cl24	275	16.59	4,562.25
8	Drnd 3053088 Classiq 18BV	212	14.78	3,133.36
9	Drnd 3053025 Baron 16pc BV	201	13.62	2,737.62
10	Drnd 3053147 Tivoli 24pc	215	12.12	2,605.80
11	Drnd 8058236 18pc Lanc St	184	13.65	2,511.60
12	Drnd 0655000 Provincl 16pc	76	26.94	2,047.44
13	Drnd 3053188 Harmny ST 18	183	9.52	1,742.16
14	Anch 3600/821 Terrac 18pc	274	5.46	1,496.04
15	Anch 883700/129 24pc Saph	130	10.15	1,319.50

LAUNDRY CHEMICALS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	Texi 182 Yes Lndry Det 64	10,708	5.20	55,681.60
2	Clrx 0104 Clorox Bich Gal	22,632	1.45	32,816.40
3	P&G 96oz Liquid Tide	2,186	8.58	18,755.88
4	P&G 64oz Era King Size	3,227	5.75	18,555.25
5	P&G 64oz Liquid Tide	3,098	5.75	17,813.50
6	Clrx 0303 Clorox 2 40oz	5,636	2.38	13,413.68
7	Boyl 215 Spray Starch 22	10,080	1.31	13,204.80
8	Levr Snuggle Fab Sof 64oz	4,012	3.21	12,878.52
9	Boyl 6122 Wlite Liq 12oz	7,488	1.68	12,579.84
10	P&G 42oz Tide Giant Size	3,751	3.24	12,153.24
11	John 42252 32oz Shout (50¢ off)	4,800	2.48	11,904.00
12	Levr Wisk 64oz	2,029	5.66	11,484.14
13	P&G 9169 Bounce 40' S	3,671	3.00	11,013.00
14	John 10181 Future 16oz.50	4,764	2.00	9,528.00
15	P&G 64oz Lq Tide (50¢ off)	1,512	5.75	8,694.00

CORNING

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	A-33-93 Trio St Past	710	19.94	14,157.40
2	A33 Trio Set Crnflwr	542	19.94	10,807.48
3	A-3-93 Cov Cass Past	634	15.66	9,928.44
4	A-1 1/2-93 Cass Past	728	11.31	8,233.68
5	A338 Trio Set Spice	352	19.94	7,018.88
6	P-104-93 Teapot Past	454	14.62	6,637.48
7	F-2 Cov Ovl Casrol 2	369	16.27	6,003.63
8	430-045 Bwl St Rnbo	528	10.92	5,765.76
9	A-5-93 Cov Cass Past	306	18.28	5,593.68
10	430-166 Bwl St Autmn	498	10.92	5,438.16
11	A-1 1/2-8 Cov Ds Spc	453	11.34	5,137.02
12	P-150 Grab-It 15oz 2	662	7.45	4,931.90
13	A-1 1/2 Covr Ds Crnf	398	11.31	4,501.38
14	F-1 Cov Rd Cassrol 2	270	16.27	4,392.90
15	P-104-8 L Cup Teapot	297	14.65	4,351.05

RUBBERMAID

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	2890 30gal Rghnck Ch	2,679	14.00	37,506.00
2	2965 Lndy Bskt Slate	5,237	5.07	26,551.59
3	2892 20gal Can Choc	1,751	14.14	24,759.14
4	2965 Lndry Bskt Almn	4,613	5.07	23,387.91
5	2965 Lndry Bskt Choc	3,978	5.07	20,168.46
6	2864 Swgtp Wbsk Site	2,304	7.45	17,164.80
7	2894 32gal Garb Can	880	18.03	15,866.40
8	0450 Bath Mat Lt Blu	5,111	2.91	14,873.01
9	0450 Bath Mat White	5,009	2.91	14,576.19
10	8765 Ice Tray Dsplay	10,364	1.37	14,198.68
11	2858 Step-On Can Alm	1,147	11.49	13,179.03
12	2858 Step-On Can Cho	1,103	11.49	12,673.47
13	0450 Bath Mat Almond	3,709	2.91	10,793.19
14	2850 Cov Wst Bskt Ch	1,428	7.45	10,638.60
15	2850 Cov Wbskt Slate	1,350	7.71	10,408.50

Source: Schreiber Co., distributor, Lititz, Pa., for April through June 1986, covering 825 stores, including 725 discount stores, in the Northeast, Southeast, mid-Atlantic.

By ARNOLD REINHARD
Vice President, Sales and Marketing, Schreiber Company

The weak economy, which has certainly impacted discounter sales this year, has cast a shadow on the housewares business.

But by the second quarter of 1987, we should begin to see at least a glimmer of light at the end of the tunnel as retailers tighten assortments and manufacturers add spice to departments with new products.

In addition to current economic conditions, the unusually warm autumn we've experienced here on the East Coast has lowered overall store traffic, resulting in lowered sales in housewares.

Shoppers who would ordinarily be in the store shopping for the new fall apparel selections are lacking the incentive of cold weather. As a result, there are fewer people in the stores to buy hard lines.

Holiday Cooking Impetus

Holiday cooking needs will, of course, bring shoppers back to housewares later this quarter, but a real turnaround isn't expected until next year.

Retailers, becoming reductive following the Christmas season, will continue to drop items that just won't sell like they used to due to competition from supermarkets.

The result of the tightened discounter assortment will be higher sales per square foot.

In addition to the changes retailers will have made, by early summer of next year, manufacturers should have retargeted their promotions and will have shipped new products unveiled at the January housewares show.

Beyond overall economic and weather problems, the intensely promotional climate in housewares is compounding the problem of low sales volume with narrowing margins.

Retailers, competing to get those declining sales dollars, have been cutting prices.

In fact, in cases where a retailer wants to undersell the competition on a particular item, he could end up giving the consumer a wholesale price tag, especially when coupled with a manufacturer rebate program.

In bakeware and microwave cookware, it's possible we'll be seeing heightened competition during the quarter due to new product innovations in these categories.

Corning is scheduled to introduce a new line of nonstick glass bakeware called Clear Advantage next month. Margins on this line should be better than the market leader, Baker's Secret by Ekco—at least, at first.

The Clear Advantage line includes six items: a 9-in. cake pan, 9-in. pie plate, 13-in. oblong pan, 8-in. cookie sheet, a loaf pan and a 2-qt. casserole.

As far as how the pricing of the Ekco and Corning lines compare, the Clear Advantage cake pan, while introduced at a special price of $5.99, will probably have an-

(Continued on page 34)

HOUSEWARES: PRODUCT MOVEMENT AUDIT

Turnaround in Housewares Expected By Second Quarter of '87

(Continued from page 33)

everyday price of $6.99. A comparable size Baker's Secret pan retails at about $4.49.

It seems to me what we're talking about here are two different shoppers, and the Clear Advantage sales should represent additional purchases, ones that might not otherwise have been made.

I don't see the Ekco and Corning customer as being one and the same; Ekco sales shouldn't suffer as a result of the new Corning line, but it's possible the two vendors might take a promotional stance in the event that there is more overlap among their customers than expected.

Microwave Cookware Battle

A similar situation has arisen in microwave cookware. Corning is launching a new line of microwave cookware which is also designed for food storage. It is more or less an upgrade of Rubbermaid's Servin' Saver line.

The Corning line, Storage Plus, will be made of glass which can withstand high heat in the microwave oven.

The Rubbermaid line, which is made of plastic, can withstand temperatures around 400 degrees. After that, it tends to melt.

Once again, we're talking about two different customers here, and I don't think the Storage Plus line will detract from Rubbermaid sales.

The two lines will end up with margins that are at or near the same level. As far as pricing is concerned, a 7-cup rectangular Servin' Saver dish retails for about $2.39, while a 6-cup Storage Plus item sells at about $4.99.

Corning, which will be introducing these two new product lines next month, is having some trouble keeping retailers stocked on its Visions cookware line, still relatively new to discounter shelves.

The Visions cookware line, with volume that merits a separate category for our bookkeeping purposes, has been having some production problems. Corning said it hadn't projected the product line's overwhelming success.

Another category which continues to be active is glassware. Anchor Hocking, Libbey and Durand single-pack tumblers—first introduced about a year ago and recognized by discounters six months later—by now are in most assortments.

Multipacks are being phased out, with the exception of stemware which is still basically a four-pack business.

So far, there have been no major retailer ads on the single packs; most discounters continue to rely on the 18- and 14-piece sets for promotions.

The success of the single packs is largely due to the value to the consumer. Two singles retail for about $1.99 and three singles for about $2.99. Four packs sell at about $5.

In beverage sets, Anchor Hocking and Durand continue to battle it out, each responsible for about half of the set business.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	PYREX			
	6230-F Casserol/Bskt	1,629	8.13	13,243.77
2	300-95 3pc Bowl Cl M	964	11.33	10,922.12
3	300-80 Shen Bowl Set	917	11.33	10,389.61
4	300-61 Bowl Set Frst	884	11.33	10,015.72
5	2320-F 2qt Dsh/Bskt	1,032	9.10	9,391.20
6	3525TP Tw Pk Juic Jg	2,280	4.09	9,325.20
7	300-49 3pc Bowl Weat	772	11.33	8,746.76
8	516 16oz Meas Cup	3,202	2.65	8,485.30
9	95 Mix Bowl Set 3pc	1,150	6.83	7,854.50
10	508 8oz Measure Cup	3,696	2.13	7,872.48
11	232 Utility Dish 2qt	1,620	4.75	7,695.00
12	2220-F Sq Cake/Baskt	946	8.13	7,690.98
13	229 9" Deep Pie	2,826	2.54	7,178.04
14	463-D 6oz Custard	2,238	2.96	6,624.48
15	532 32oz Meas Cup	1,683	3.79	6,378.57

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	CLOSET SHOP			
1	Mabx 288 Moth Balls 1lb	26,452	1.22	32,271.44
2	Lee 3X62 Garmet Rak Brwn	2,196	13.41	29,448.36
3	Tamr 6878/144A Bulk Tb Hn	179,424	.11	19,736.64
4	Corr C2410 Stor Chest Cdr	10,895	1.46	15,906.70
5	Lee 3150 Overdoor Rack	1,124	13.54	15,218.96
6	Tamr 6878/144B Ast Pstl H	116,208	.11	12,782.88
7	Corr C2806 Underbed Ch Cd	7,750	1.46	11,315.00
8	Lee 1562 Ex Stor Clos Wt	374	27.54	10,299.96
9	Mabx 452 Cedar Block	7,386	1.26	9,306.36
10	Corr M755 3pc Skirt Hang	5,022	1.82	9,140.04
11	Mabx 287 Moth Flake 1lb	7,097	1.22	8,658.34
12	Mabx 129 Hang Block Lavnd	6,287	1.26	7,921.62
13	Corr W2112 Sm 4 Drawr Cht	892	7.53	6,716.76
14	Mabx 447 Para Nugts 2.5	1,515	4.34	6,575.10
15	Tamr 7910 9pr Shoe Rack	2,862	2.30	6,582.60

Source: Schreiber Co., distributor, Lititz, Pa., for April through June 1986, covering 825 stores, including 725 discount stores, in the Northeast, Southeast, mid-Atlantic.

Don't be embarrassed if you picked the steer's head. A lot of people do.

But let's face it. Not everyone in Dallas has the same tastes as J.R. Ewing.

Actually, you'll never have to worry about what to stock or what styles sell best. That's the responsibility of Kenney service reps nationwide.

Depending on your store's size, a Kenney rep will visit every 2, 3 or 4 weeks.

And because each store receives personal attention, you're guaranteed more efficient ordering tailored exactly to the local buying patterns in each one of your stores.

Frequent visits also mean lower inventory levels and help eliminate stockouts and lost sales. Not to mention a better looking display.

Furthermore, Kenney service reps work with your store managers, department managers and sales people. Training them to maintain the display and effectively manage Kenney's full line of vinyl and

NMRI's Cornell Study: Discounters Net Sales Hit Record High

(Continued from page 1)
stores with sales of $27.1 billion.

The study was done in two parts: Section One includes an analysis of all operating expenses as distributed among the various cost responsibility centers (human resources and real estate were added to this year's study). Data is measured as a percent of sales in groups according to sales volume, gross margin percentage, total expense percentage and payroll percentage.

Identical Firm Analysis Gross Margin, Expense and Earnings—% of sales

	Percent of Sales	
	1984-85	1985-86
Number of (Identical) Firms	25	25
Gross Margin	28.12	28.55
Leased Department Income	0.44	0.34
Gross Income	28.56	28.89
Total Expense	23.32	23.89
Net Operating Profit	5.24	5.00
Other Income or Loss	– 0.33	0.32
Net Other Income	—	– 0.33
Earnings Before Income Tax & LIFO	4.91	4.67
LIFO Reserve	0.00	0.06
Earnings Before Income Taxes	4.91	4.73
Federal & State Income Taxes	2.18	2.06
Net Earnings After Taxes	2.73	2.67

Source: NMRI

Following are some of the highlights of Section One of the 1985-86 Cornell study, which overall indicated that discounters continued to tighten up expenses:

- Average volume per store for all firms rose 11.8% to $8,387,000;
- Average sales per square foot of selling area increased 2% to $160;
- Average sales per square foot of total store area dropped 8.6% to $126;
- Return on equity for all firms—the ratio of net earnings after taxes to net worth—remained about the same at 18.6%;
- Return on assets for all firms—ratio of net earnings to total assets—was 7.7%;
- Gross margin for all firms was up slightly from 28.30% to 28.54%;
- Stock turns for all owned departments, based on average monthly inventories, increased from 3.48 to 3.69;
- Stock shortage retail value as a percentage of sales declined from 1.55 to 1.51;
- Total expenses increased slightly from 23.65% to 23.88%.

Section Two of the NMRI's Cornell Study features the Mass Retailers' Merchandising Report, which presents data for 25 discounters in two classifications—sales above $400 million and sales below $400 million.

The firms have participated in the study for two or more consecutive years, and as a result are strong indicators of industry trends. Thirty-seven merchandise departments are profiled in terms of sales distribution, cumulative markup, stock shortages, markdowns and gross margins.

Among the key highlights of Section Two for identical discounters with sales above $400 million are:

- Average store sales increased to $8,790,000 from $7,867,000 in 1984-85;
- Sales per square foot of selling area were down slightly from $162.75 to $161;
- Total expenses were up slightly from 23.13% to 23.55%.

Copies of the complete report are available from the New York office of the NMRI.

Chains' Total Expenses Decline

	Percent of Sales	
	1984-85	1985-86
Number of (Identical) Firms	25	25
Total Payroll	11.22	11.46
Supplies	0.75	0.83
Communications	0.27	0.28
Travel	0.21	0.22
Services Purchased	0.66	0.76
Advertising	2.33	1.95
Taxes and Licenses	1.46	1.58
Utilities	1.12	1.05
Insurance	0.61	0.65
Property Rentals	1.85	1.68
Equipment Rentals	0.37	0.32
Depreciation & Amortization	1.08	1.26
Repair and Maintenance	0.61	0.65
Donations	0.02	0.02
Professional Services	0.09	0.12
Pensions & Profit Sharing	—	0.27
Preopening Expenses	—	0.18
Unclassified	1.14	0.92
Miscellaneous Income	—	– 0.34
Total Expenses	23.33	23.85

Source: NMRI

Danners Reduces Prices In Last-Ditch Strategy

(Continued from page 3)
Much of the advertising budget will be diverted to ROP newspaper advertising, as well as some radio and television spots.

Bolsinger blamed recent sales declines on competition from chains such as K mart and overall economic problems in the rural markets Danners serves.

Steven Tishman, of Bear, Stearns, said he hopes the lender group will waive the current violations. In any event, he is developing strategies to strengthen the Danners balance sheet.

Danners had implemented staff cuts and reduced advertising programs earlier this year to offset depressed sales and gross margin.

The company reported a net loss of $907,000 for the six months ended Aug. 2, compared to a loss of $139,000 for the comparable period a year earlier. Sales for the period slumped to $69.9 million from $86.4 million in 1985.

Store sales for the quarter were down 11%, while the year to date figures were down 9%.

Last year, the company closed its $190 million variety store division, its 13-unit restaurant division (consisting of 12 Cambridge Inn Cafeterias and one Danner Bros. Restaurant) and "danners!," the company's frame, stationery and crafts stores.

These operations were closed so Danners could concentrate its efforts on its discount store division.

Danners operates 35, 3D Discount stores in Indiana, Illinois and Michigan.

Correction

In *DSN's* story about first-half discounter results in the Sep. 8, 1986, issue, the sales gain for the Wholesale Club for the first six months of its current fiscal year, compared to the previous year, was reported incorrectly . The correct percentage increase was 80%, based on sales of $54 million, compared to $30 million in the previous fiscal year.

Answers: *1.c, 2.b, 3.b, 4.a, 5.c, 6.b, 7.b, 8.c, 9.c, 10.b, 11.a, 12.c.*

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Heck's Supports Drug Fight Effort

(Continued from page 3)
The shirts are merchandised in a 5-ft. square area at the front of the store with overhead POS signage.

If the apparel line becomes larger and is offered year-round as is planned, Bender said he might have to put the Just Say No merchandise in with other apparel items.

Even if the clothing is blended into the overall apparel assortment, Just Say No always will be featured in the category, he said.

In conjunction with the clothing sales, Bender said the company might extend the program to include non-apparel items.

"For example, we might take item X, run it as a special sale saying that a certain percentage of the sales price will go to drug enforcement."

T shirts retail for $3.96 each. Heck's has ordered 6,000 shirts to start, which represents about an $8,400 contribution to drug enforcement.

The foundation supplies local Just Say No clubs with handbooks, program guidebooks, posters, and in the spring will offer a national magazine encouraging kids to resist pressures to take drugs

"We're essentially the governing body for over 10,000 clubs across the country," said Tom Adams, executive director of Just Say No.

"We serve as a resource, a sort of rudder to make sure the kids are getting the materials they need to strengthen their clubs and generate additional ones," Adams said.

At Gold Circle, Alan Morris, director of public affairs, said the chain is deciding whether to support the Just Say No program or another drug service called Youth to Youth, which organizers older teenagers to counsel their younger peers on drug abuse.

Victor Scire, vice president, sales promotion at Jamesway, said he is working on getting Just Say No pamphlets into stores and might undertake a program similar to that of Heck's.

Senate Pushes Video Antipiracy Bill

(Continued from page 2)
warned that VCRs would cut into producers' profits. Those losses never materialized, Ferris said. Instead, VCRs yielded "a huge bounty" for video producers, he said.

"Hollywood is making more money from VCR's than it does from movie theatres," he said. *Variety*, the entertainment tabloid, reported that consumer spending on rental and purchase of video cassettes in 1985 skyrocketed to $4.6 billion. In comparison, the domestic box office was projected at only $3.8 billion during the same year.

Ferris also testified that in the four years of explosive growth in home video, annual Hollywood box office revenues rose 38%.

"Many theater exhibitors believe that the effect of VCRs on theater attendance is either positive or minimal," he said.

Unpersuaded by the Coalition's arguments, Valenti and movie executives told the Senate committee that back-to-back copying is "thievery" that will "break the back" of U.S. copyright owners, video store operators and ultimately the consumer.

CBS/Fox President James F. Fifield said the proposed legislation would not expand the present copyright law but would make it possible "to more effectively enforce existing law."

Valenti said the chief elements of such a law would be:

- A requirement that all future VCRs include a device capable of frustrating back-to-back copying of protected, copyrighted, video cassettes and discs;
- Establishment of a required "level of effectiveness" that any anti-copying system must satisfy, and;
- Prohibition of "black boxes" designed to defeat the anti-copying technology.